

# High-Growth in London

# 2020



# Introduction

# Foreword

In the first edition of the High-Growth in London report, published back in March of 2019, we noted the extent to which London-based companies dominate the UK's high-growth scene. Back then, 30% of ambitious UK companies had grown in the Capital, and had collectively secured 54% of all UK equity fundraising since 2011.

Since then, the Capital has only taken a larger slice of the pie. London now accounts for 33% of all high-growth and ambitious companies in the country, and has received 58% of all pounds invested since 2011.

For every pound of equity investment made in the UK during Q1 2020, 70p of it went to London-based companies.

So despite government efforts to 'level up' and reduce regional disparities, the Capital continues to dominate the entrepreneurial scene, drawing in investment from across the globe and dwarfing the activity of other regions in the UK.

Now, the COVID-19 outbreak is set to deepen this inequality. As you'll see later in the report, companies in London are less likely to be at risk from the pandemic than those in other areas of

the country; they tend to be tech-focussed and more agile than those in the regions, and have better access to a wider variety of support.

But those that are at risk are far more likely to be large companies that generate an above average turnover. Losing just a handful of these companies could drastically change the high-growth landscape in London, and the country as a whole.

So far, just nine individual business in the Capital have permanently shut up shop as a direct consequence of the coronavirus pandemic, although most will have been facing problems before hand. The true business cost of the

pandemic will only become apparent in a few months, or even years down the line.

For a nationwide picture of the current impact of coronavirus on the high-growth landscape, as well as our proposals for Government, take a look at our COVID-19 Business Impact report, available **here**.

And, as with all the statistics included in this report, our COVID-19 Impact data is available to explore and search across on the Beaurost platform.

To find out more visit our **website**, or **book a demo** to see it for yourself.

# What do we mean by “ambitious”?

We use 8 criteria to identify high-growth and ambitious companies. Each of these is a sign that a business is either actively growing or creating ambitious growth plans.

All companies featured in this report have met at least one of these growth triggers.



**Equity investment**



**Venture debt**



**Accelerator attendance**



**Grant recipients**



**Scaleups**



**High-growth lists**



**MBO/MBI**



**Academic spinouts**

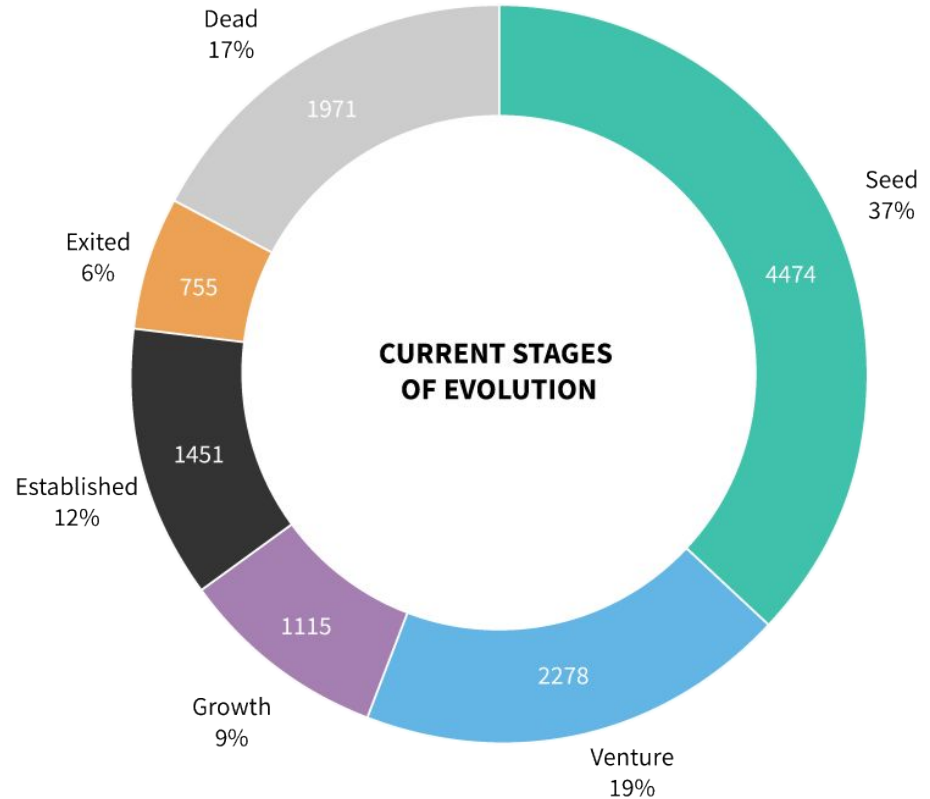
# 1 Companies

# Stages of evolution

There are currently 9,318 active, ambitious companies in London – that's a 32% increase from 2019.

An additional 755 have exited the market, either through an IPO or an acquisition, and 1,971 are no longer trading.

An alarming 706 businesses have ceased operations since 2019. We can only expect that this number will continue to rise at an increased rate, as the coronavirus pandemic takes its toll on the business landscape.



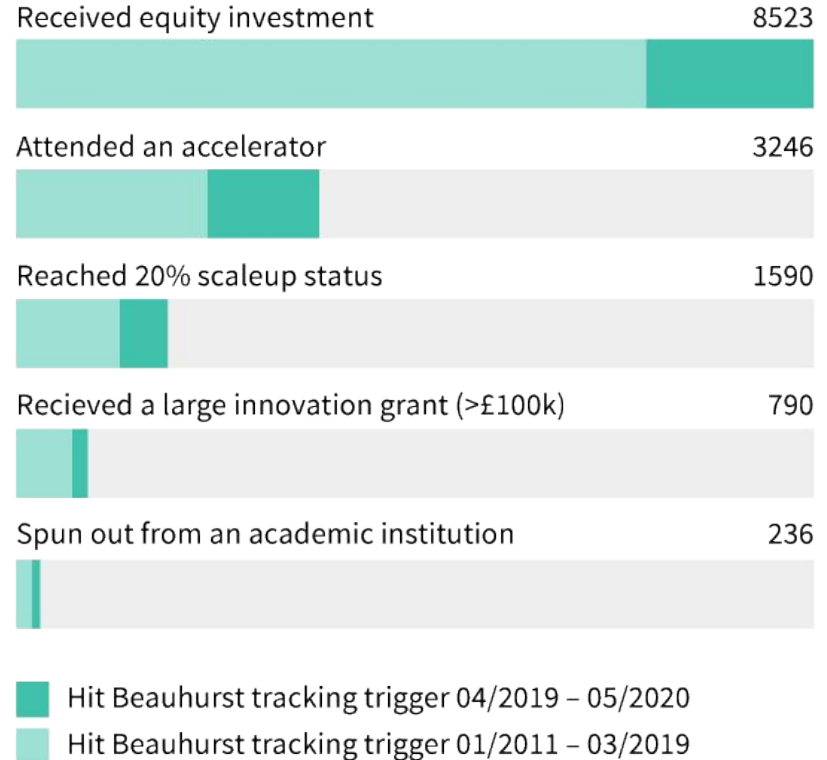
# Methods of growth

71% of these companies (8,523) have grown through equity investment, by far the most popular method of financing growth in the City. 1,768 companies raised equity finance for the first time between March 2019 and May 2020.

Accelerators are also a very popular method of growth. There's been a 60% increase in the number of London-based companies that have attended accelerators since March 2019.

Despite its world-class universities, London has a relatively low proportion of spinouts and grant recipients.

## NUMBER OF AMBITIOUS COMPANIES IN LONDON BY METHODS OF GROWTH



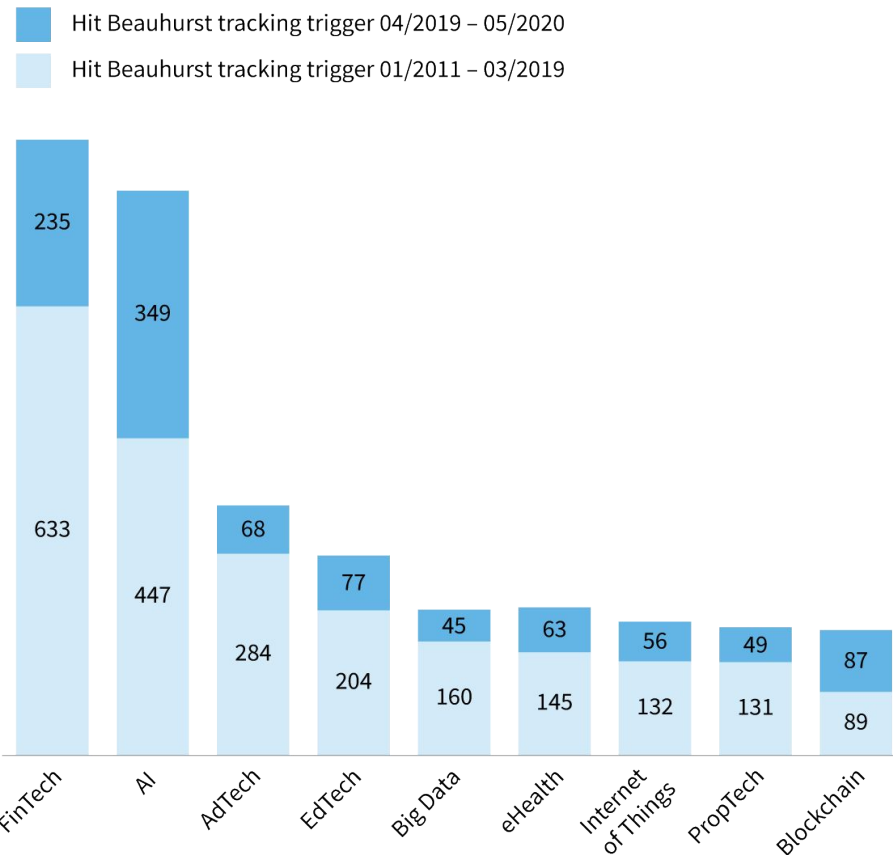


# Sectors and Verticals

It should come as no surprise that fintech is the most common buzzword in London. Home to Monzo, Revolut and Transferwise (among many other household names), the Capital has a world-class fintech ecosystem that's showing no signs of stopping. 235 new fintech companies have hit one of our high-growth triggers in the last year.

But AI is the fastest growing vertical in the City, with a 78% increase in the number of companies employing machine-learning technologies since March 2019.

NUMBER OF AMBITIOUS COMPANIES IN LONDON BY VERTICAL



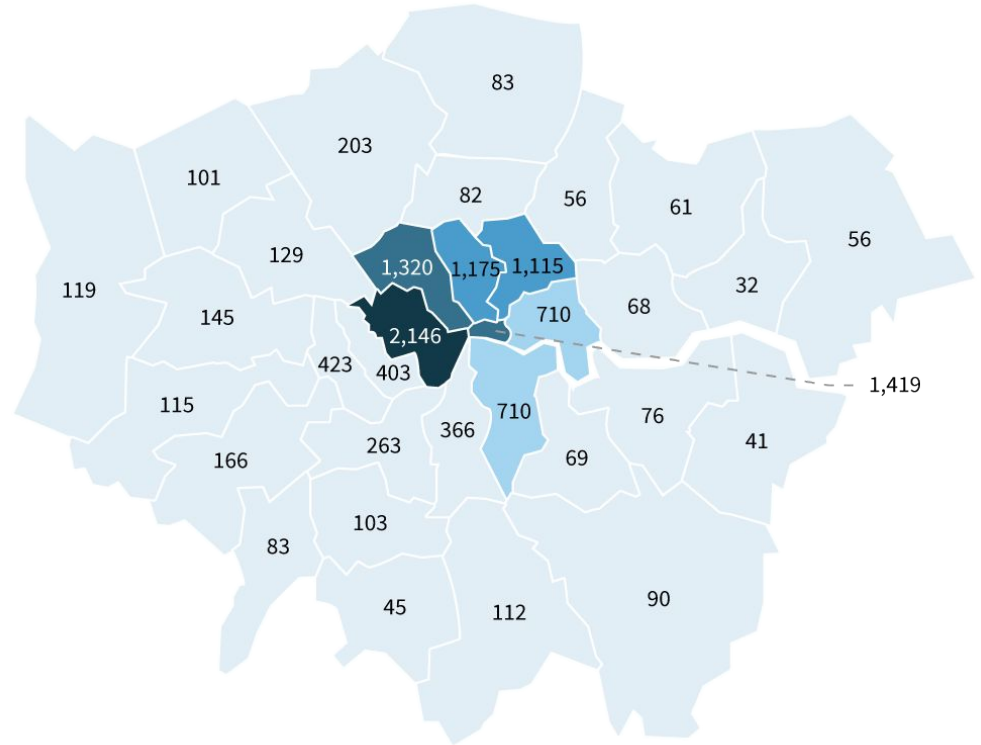
# Geographical distribution

Central London continues to be the most populous area of high-growth company headquarters in the UK. A massive 2,146 companies are registered in Westminster's 8 square miles. That's a staggering 41% increase from 2019.

A further 1,419 ambitious companies reside in the City of London, with many neighbouring the corporate giants they hope to disrupt.

Southwark has seen the biggest growth in company numbers since 2019, up 64%.

DISTRIBUTION OF AMBITIOUS COMPANIES IN LONDON



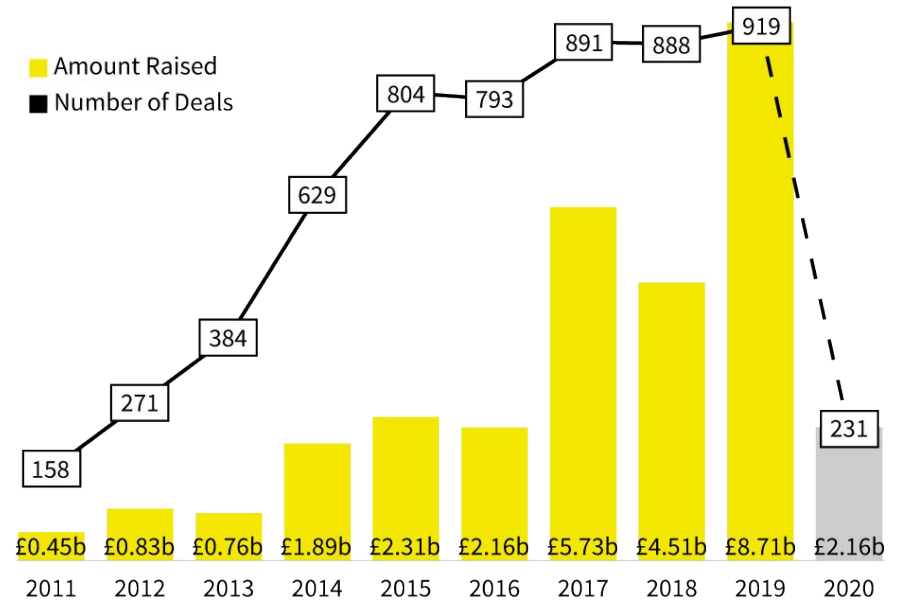
# 2 Fundraisings

# Equity finance

8,523 companies in London have secured equity funding since 2011, collectively raising £40.6b through 20,235 deals between January 2011 and the end of Q1 2020. The graph opposite visualises those fundraisings that have been announced to the media.

2019 was a stellar year for funding for the UK as a whole, but especially for companies in the Capital. With the outbreak of COVID-19, we expect 2020 will massively fall short of the records set last year.

**NUMBER OF ANNOUNCED DEALS AND AMOUNT RAISED BY LONDON BASED COMPANIES 2011 - Q1 2020**



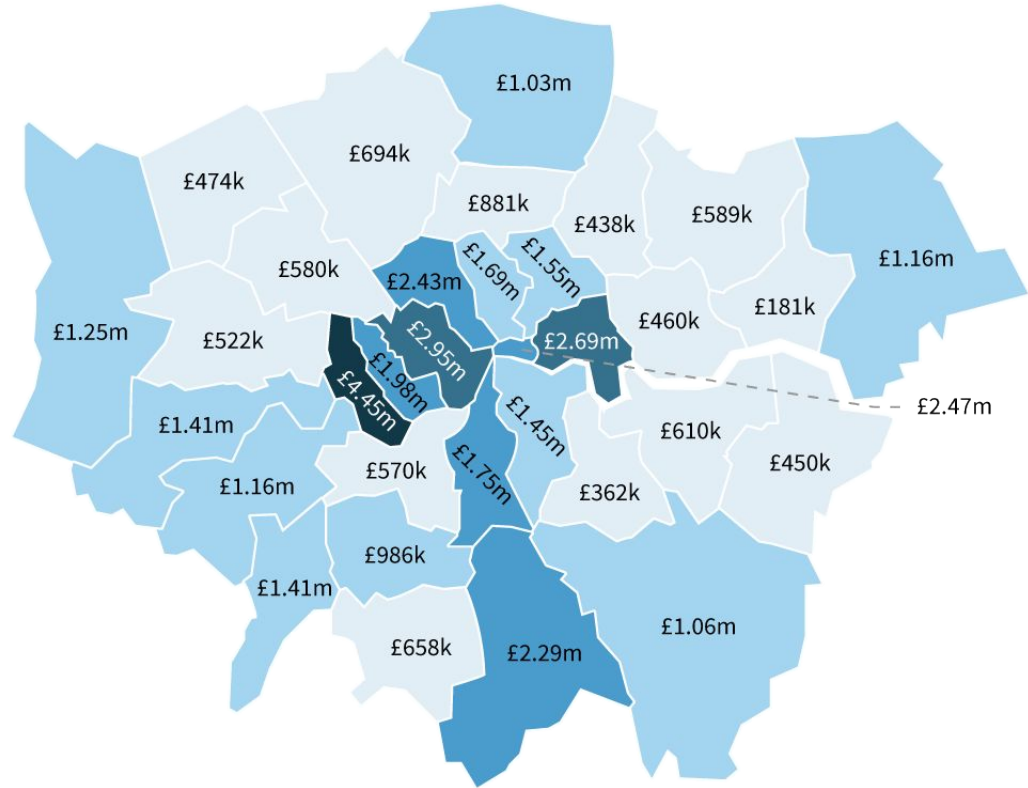
# Average round size

When it comes to the average funding round in the Capital, Hammersmith and Fulham come out on top. The £4.45m average can be largely attributed to OneWeb's massive £941m funding round in March 2019.

The company is unlikely to raise such a figure again, given that it filed for bankruptcy in March 2020.

Even excluding this anomaly, companies in Hammersmith and Fulham still have an average funding size of £3.29m.

AVERAGE FUNDING ROUND SIZE BY LOCAL AUTHORITY

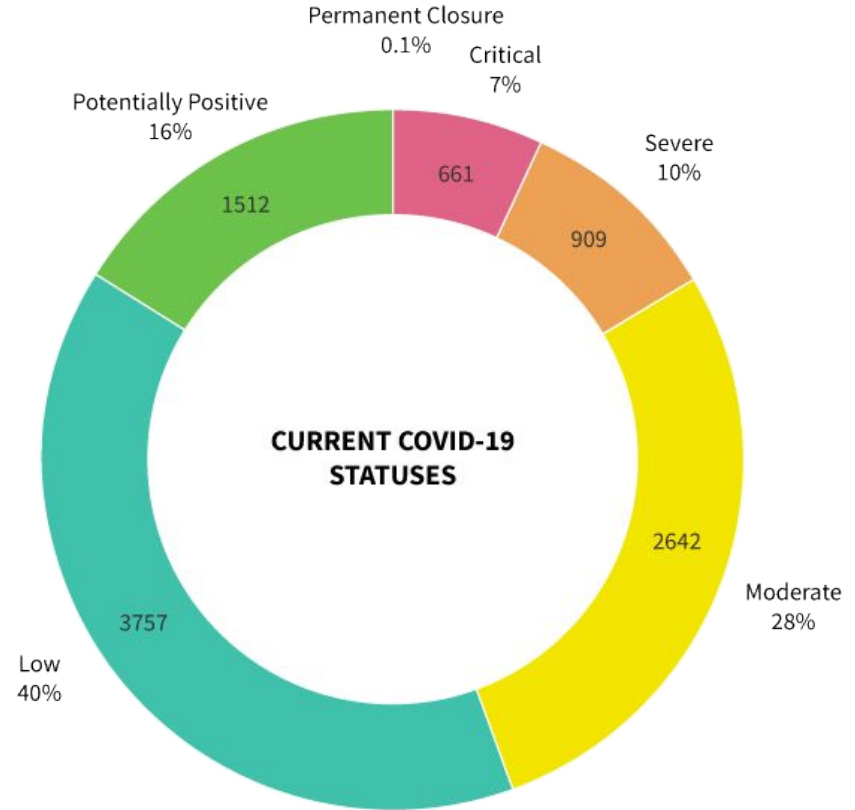


# 3 Impact of COVID-19

# Impact statuses

Compared to the **national average** (53%), companies in London are less likely to have been negatively impacted by the outbreak of COVID-19 (45%).

A number of factors are at play here. Firstly, the City has a large number of tech companies, as well as a large proportion of seed and venture stage companies. These businesses tend to be agile and well equipped to adapt to remote working and lockdown measures. The businesses are also well funded with access to a wide variety of support mechanisms.

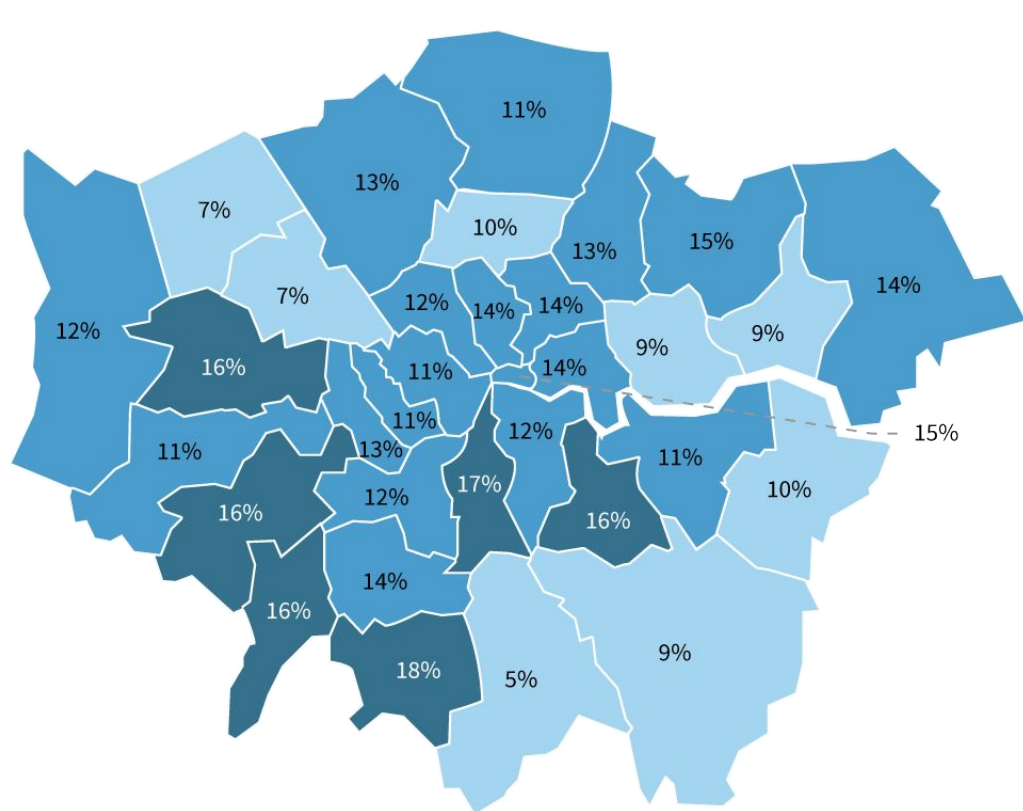


# Positive impact

Lambeth is the only authority in central London in which over 15% of businesses will potentially experience a positive impact.

Croydon has the lowest percentage of positively impacted businesses, at just 5%. This is indicative of the low number of tech companies in the borough, and high numbers of business and professional services and industrial companies, that are currently unable to operate at full capacity.

PERCENTAGE OF BUSINESSES WITH A POTENTIALLY POSITIVE IMPACT





# Employees at risk

Companies with large employee counts are disproportionately likely to be in the critical or severe impact categories. Just over a quarter (26%) of jobs at high-growth businesses in London are under immediate threat.

Companies that are at low risk of closing are more likely to have a smaller head count, at an average of 36 employees each. These teams are more agile and better equipped to adapt to changing government advice than larger firms, some with several hundred or thousands of staff.

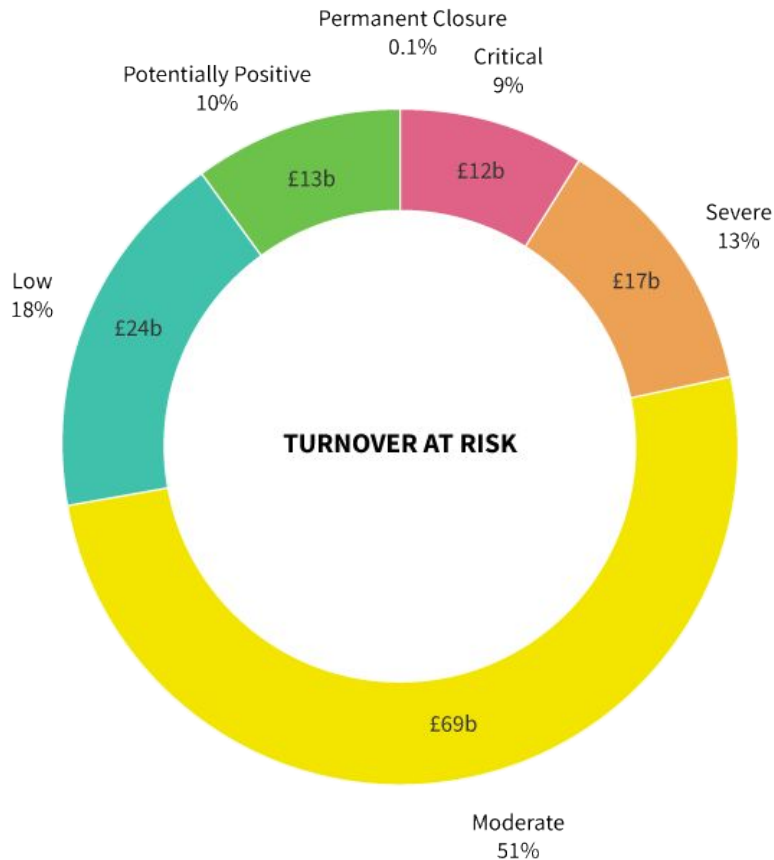


# Turnover at risk

In keeping with our findings from our **nationwide report** on the impact of coronavirus, companies that are at risk in London generate a far higher turnover than average.

Luckily, the bulk of this turnover is at moderate risk, rather than severe or critical. But the stats are still alarming, with £98b of turnover under threat in the Capital.

These huge figures illustrate the significance of the high-growth ecosystem on the country's economy as a whole.



# 4 Company cohorts

# Top equity backed companies by amount of funding received

Company	Total raised	Sector	Stage of evolution	Location	COVID-19 status
Greensill	£1.31b	Financial services	Growth	Westminster	Potentially positive
Deliveroo	£1.15b	Services on demand	Growth	City of London	Severe
OakNorth	£637m	Challenger Bank	Growth	Westminster	Potentially positive
Revolut	£627m	Challenger bank	Growth	Tower Hamlets	Potentially positive
Truphone	£550m	Internet of Things	Established	Tower Hamlets	Low
babylon	£518m	eHealth	Growth	Kensington and Chelsea	Potentially positive
Improbable	£461m	Middleware	Growth	Tower Hamlets	Potentially positive
Hyperion Insurance	£359m	Insurance services	Established	City of London	Potentially positive
Inspired	£346m	Educational services	Established	Westminster	Severe
PaymentSense	£329m	Payment processing	Established	Kensington and Chelsea	Potentially positive

# Top companies with under 50 employees, worth £50m+

Company	Valuation	Sector	Stage of evolution	Location	COVID-19 status
Immodulon Therapeutics	£406m	Pharmaceuticals	Growth	Hillingdon	Low
OneFirewall Alliance	£174m	Digital security	Seed	Tower Hamlets	Low
Sicut Enterprises	£173m	Building materials	Seed	Islington	Moderate
COMPASS Pathways	£162m	Pharmaceuticals	Venture	Westminster	Low
Highview Power	£158m	Renewables & environment	Growth	Westminster	Potentially positive
The Ink Factory	£138m	Film & TV	Growth	Camden	Severe
Pure Data	£127m	Server hardware	Growth	City of London	Potentially positive
nH2	£119m	Materials technology	Growth	City of London	Moderate
SmartUp	£117m	EdTech	Venture	Kensington and Chelsea	Low
CompactGTL	£114m	Oil and gas	Growth	Westminster	Moderate

# Top companies by growth in turnover 2018-19 (at least £500k)

Company	Latest turnover	Growth from previous	Sector	Stage of evolution	Location	COVID-19 status
Yobota	£1.30m	1044%	Fintech	Venture	Islington	Low
Cosmur	£20.2m	758%	Property development	Established	Brent	Moderate
Monzo	£19.7m	641%	Challenger bank	Growth	Islington	Potentially positive
Fruition Properties	£1.22m	418%	Construction	Growth	Westminster	Severe
CloudSense	£33.1m	385%	Software-as-a-service	Growth	Westminster	Potentially positive
Bulb	£823m	350%	Energy utilities services	Growth	City of London	Potentially positive
Reactive Technologies	£1.71m	331%	Energy reduction technology	Growth	City of London	Moderate
Advinia Health Care	£97.5m	282%	Nursing and healthcare	Established	Barnet	Moderate
Evodental	£4.88m	275%	Beauty services	Growth	Hillingdon	Severe
Quintessentially Travel	£26.8m	274%	Travel agents	Growth	Westminster	Moderate

# Explore all the ambitious companies in the UK

Beauhurst is a searchable database of the UK's most ambitious companies – from seed-stage startups to growing scaleups and beyond.

We collect and manually curate hundreds of data-points on over 30,000 companies, so you can find, engage and win high-value clients faster than ever before.

Want to see the platform in action?

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