

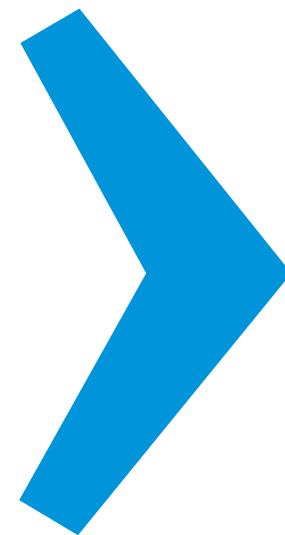
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Silicon Valley Bank

**10**  
YEARS  
— of —  
STARTUP  
OUTLOOK

# US Startup Outlook 2019

Key insights from the Silicon Valley Bank  
Startup Outlook Survey



# Startups are focused on innovating despite uncertainty

**10**  
YEARS  
— of —  
STARTUP  
OUTLOOK

For the 10th year, Silicon Valley Bank is proud to present our **Startup Outlook Report**. The innovation economy has expanded greatly in the US and abroad in the past decade, and so has Startup Outlook. In our first report, we surveyed 300 people, most of them in California. The 2019 report includes the perspectives of nearly 1,400 technology and healthcare founders and executives primarily in major innovation hubs across the US, the UK, China and, for the first time, Canada.

In their responses this year, many startups tell us they expect business conditions to improve in 2019, and they are making plans to hire employees and raise capital. I love the fact that entrepreneurs are optimistic thinkers — after all, where would we be if they didn't have a positive outlook? At the same time, they are realistic about the challenges they may face, whether hiring top talent, planning exits during volatile markets or navigating geopolitical uncertainty (read: US-China trade tensions and Brexit).

Looking at the first report from 10 years ago, I noted that hiring top talent was a concern then — even with high unemployment rates coming out of the Great Recession. Today, we hear how hiring challenges affect businesses in every major innovation hub, whether due to unprepared workforces, immigration policies or competition with tech giants. Entrepreneurs seldom speak with one voice, but this report underscores the unified need to find solutions — or risk a slowdown in innovation.

A small but interesting measure highlights the speed of innovation: The report of 10 years ago did not mention, for example, AI, autonomous cars or blockchain — now pioneering technologies. This year, we asked respondents to predict what the most promising technologies will be a decade from now. **Check out the reports** to see what each country chose.

One more shift: Today, the innovation economy, with its size and complexity, is a key barometer of the overall economy in many places and is subject to macroeconomic tailwinds and headwinds. Whether 2019 will be a turning point for global economies is hard to know. But we do know that innovators are adept at uncovering opportunities and overcoming challenges. That is one constant I don't expect will change.

We hope you find useful takeaways in this report to help your company succeed. Thank you for your interest. Let us know what you think.



**Greg Becker**  
CEO, Silicon Valley Bank

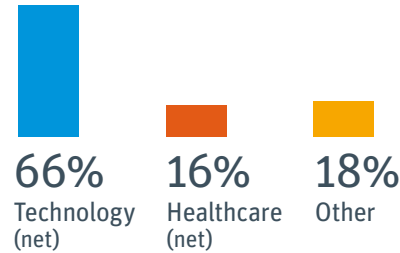
# About the Startup Outlook Survey

Our annual survey of startup executives offers insights into what is on the minds of technology and healthcare leaders. For the 2019 report, we received responses from startup executives in innovation hubs primarily in the **US**, the **UK**, **Canada** and **China**.

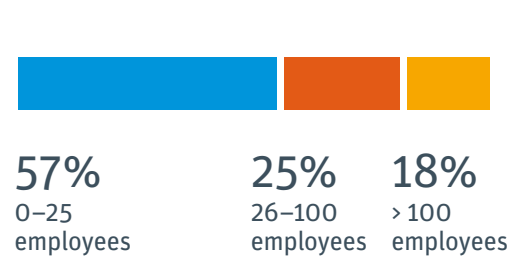
## Total respondents

1,377

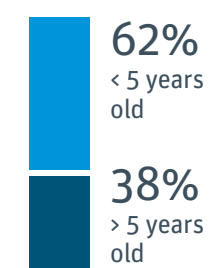
### Industry sector



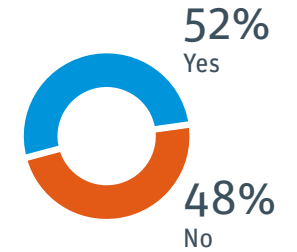
### Size



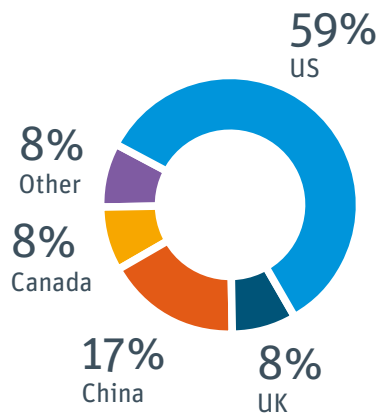
### Company age



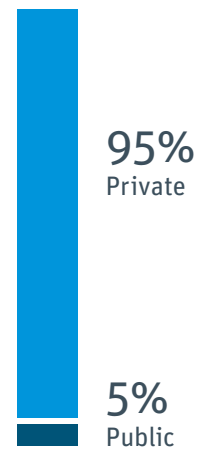
### Profitable



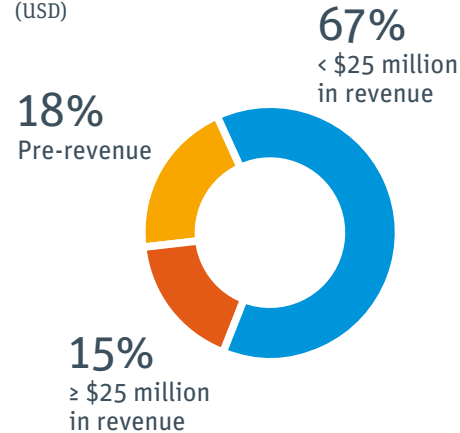
## Primary place of business



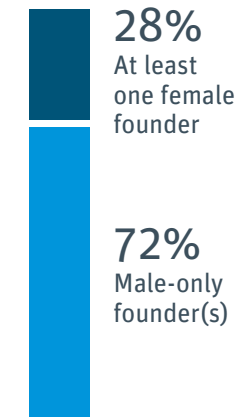
## Ownership



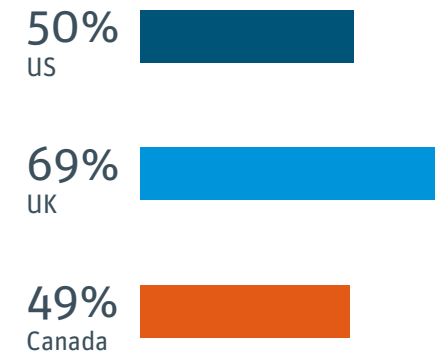
## Revenue stage (USD)



## Founder gender



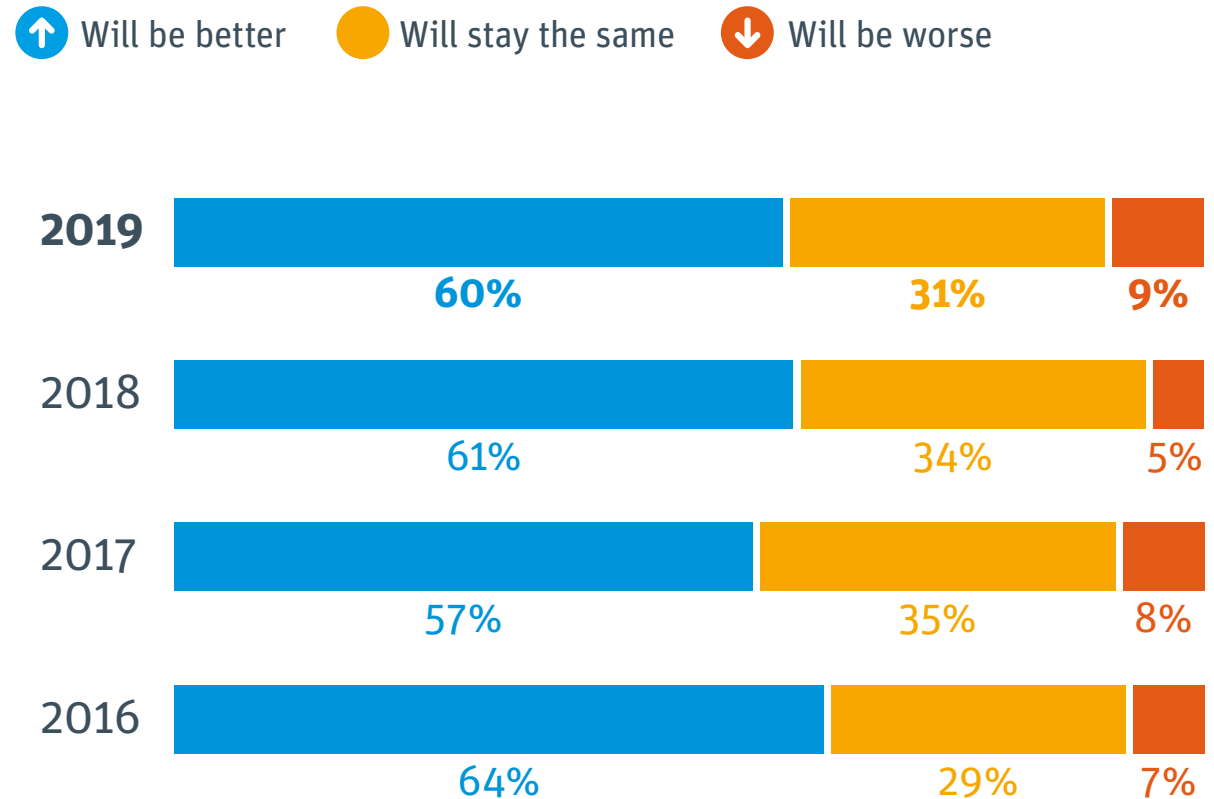
## Companies with at least one founder born outside their primary country



## Many US startups expect business conditions to improve

Six in 10 US entrepreneurs, typically a positive-thinking group, expect business conditions to improve compared with 2018. Nine percent believe that conditions will grow worse, a slight uptick.

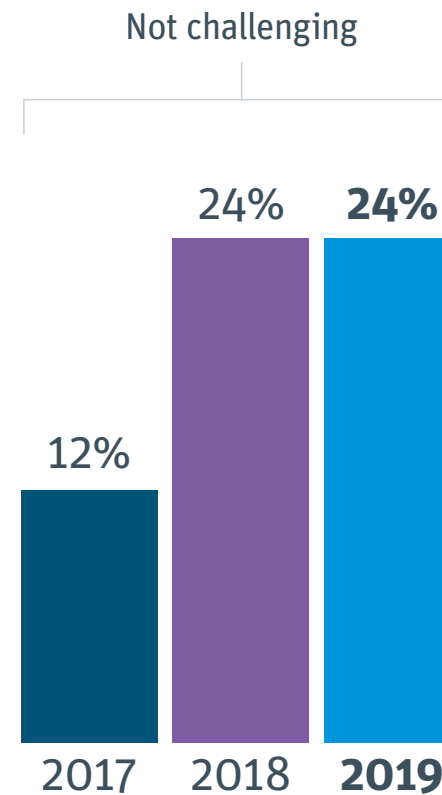
### Describe your outlook on business conditions for your company this year compared with 2018.



## Raising capital grows easier in the past two years

Seventy-one percent of US startups surveyed successfully raised capital in 2018. Of those, one-quarter say the current fundraising environment is not challenging. VCs and private equity firms have been investing larger rounds in fewer deals, focusing their capital on high-performing startups; however, pre-revenue companies and those with smaller revenue streams describe raising capital as considerably more challenging.

### What is your view of the current fundraising environment?

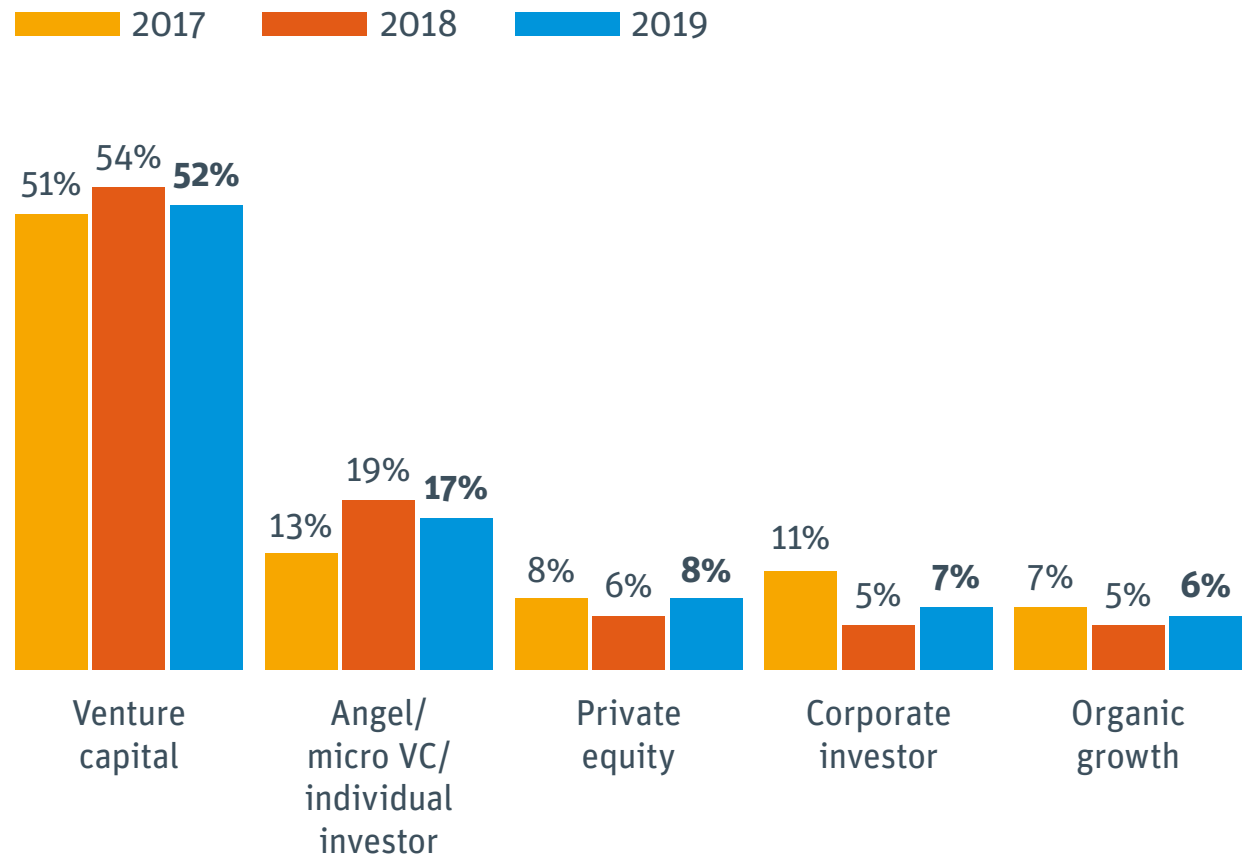


**Note:** Asked of private companies that successfully raised capital.

# Venture capital is the go-to source of funding

Alternative financing sources are a topic of great discussion among startups and the media. Still, half of US startups say they expect their next source of funding to be venture capital – a steady level over the past three years. Another 17 percent say they expect to tap small or individual investors for their next funding round.

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



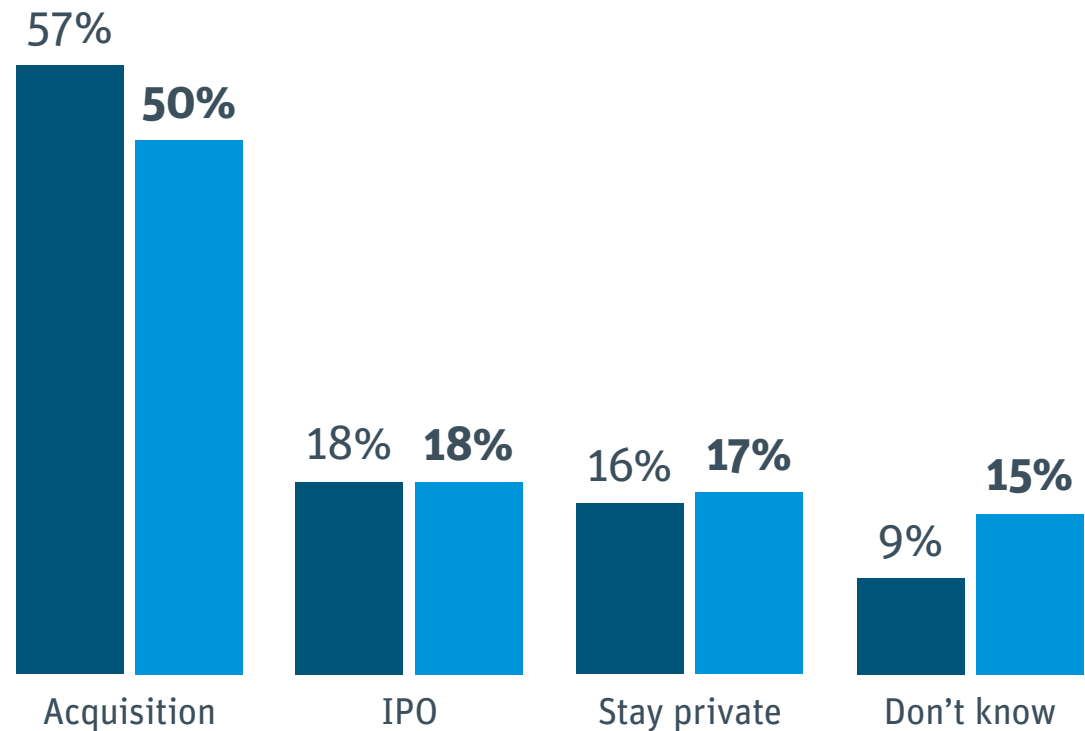
**Note:** Asked of private US companies that successfully raised capital. Other sources of funding include bank debt, IPOs, mergers, government grants, ICOs and crowd funding and represented 10% in 2017, 11% in 2018 and 10% in 2019.

## Startups say the most realistic goal is acquisition

Several unicorns are lining up for possible 2019 IPOs. But most US startups say their more realistic long-term goal is to be acquired — long cited as the most common path to an exit. A larger percentage of startups compared with a year ago say they don't know what their ultimate goal is, underscoring the difficulty of planning an exit amid increased market volatility.

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

2018 2019

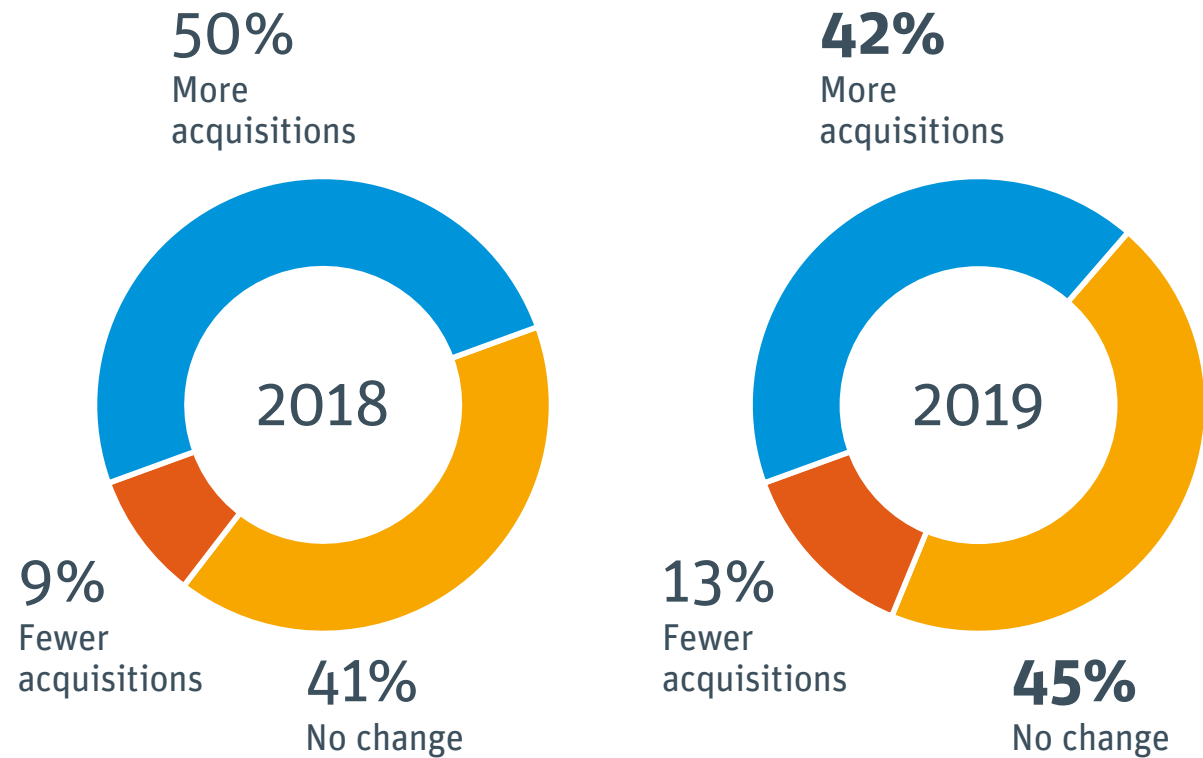




## M&A activity is healthy

Nearly 90 percent of US startups believe that M&A activity will maintain 2018 levels or increase. With plentiful capital available, many corporations, private equity funds and scaling companies have the resources to make acquisitions.

### How do you think the M&A market will change in 2019?

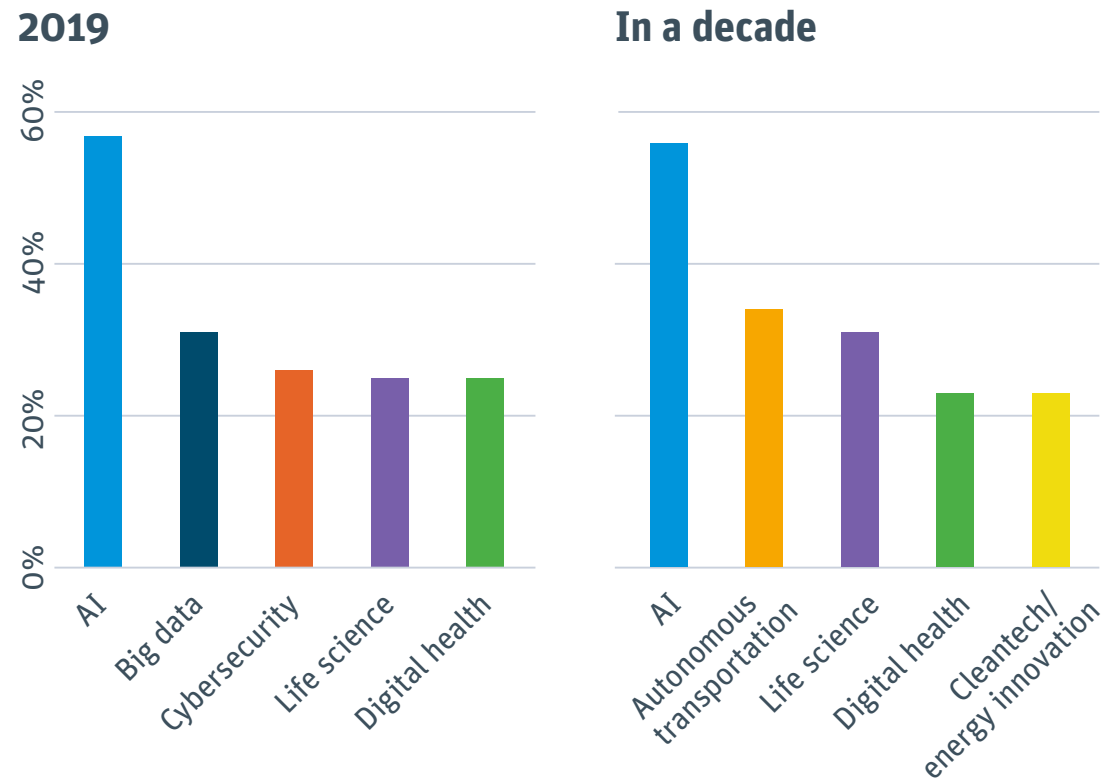




## AI is the most promising sector now – and in the future

US entrepreneurs say AI and big data are the technologies with the most promise today. Looking ahead a decade, they expect autonomous transportation to make the biggest leap in potential, taking the second spot after AI.

### Which areas will be the most promising in the innovation economy?



**Note:** Respondents could choose up to three responses.

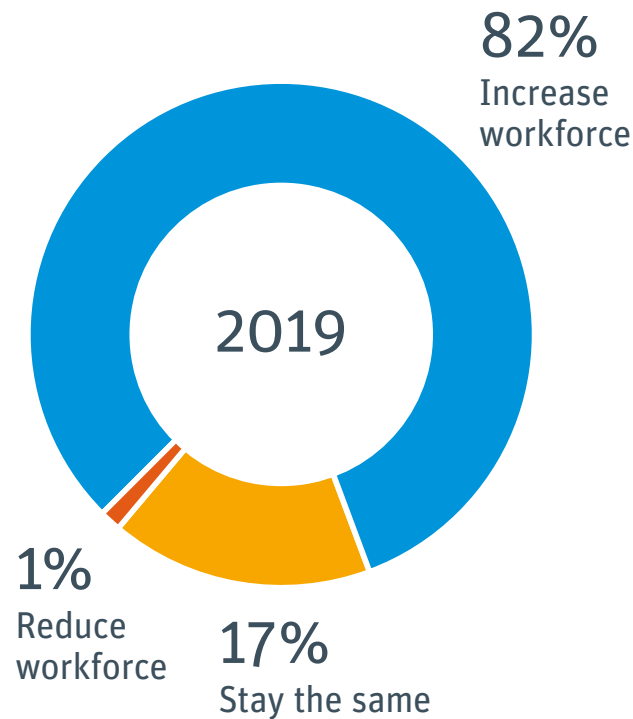
## Startups plan to hire but find talent search hard

More than 80 percent of US startups say they plan to add employees in 2019, but 29 percent recognize it is extremely challenging to find talent with the necessary skills to grow their businesses. Another 62 percent say it is somewhat challenging. Startups are most in need of filling product development/R&D, sales and technical positions.

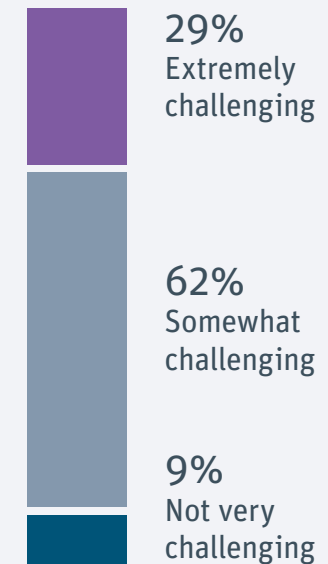
**“We need to invest and help drive a bigger talent pool by making STEM education more accessible.”**

CEO, software company

## What are your projections for hiring new employees in 2019?



### How challenging is it to find workers with the skills necessary to grow your business?



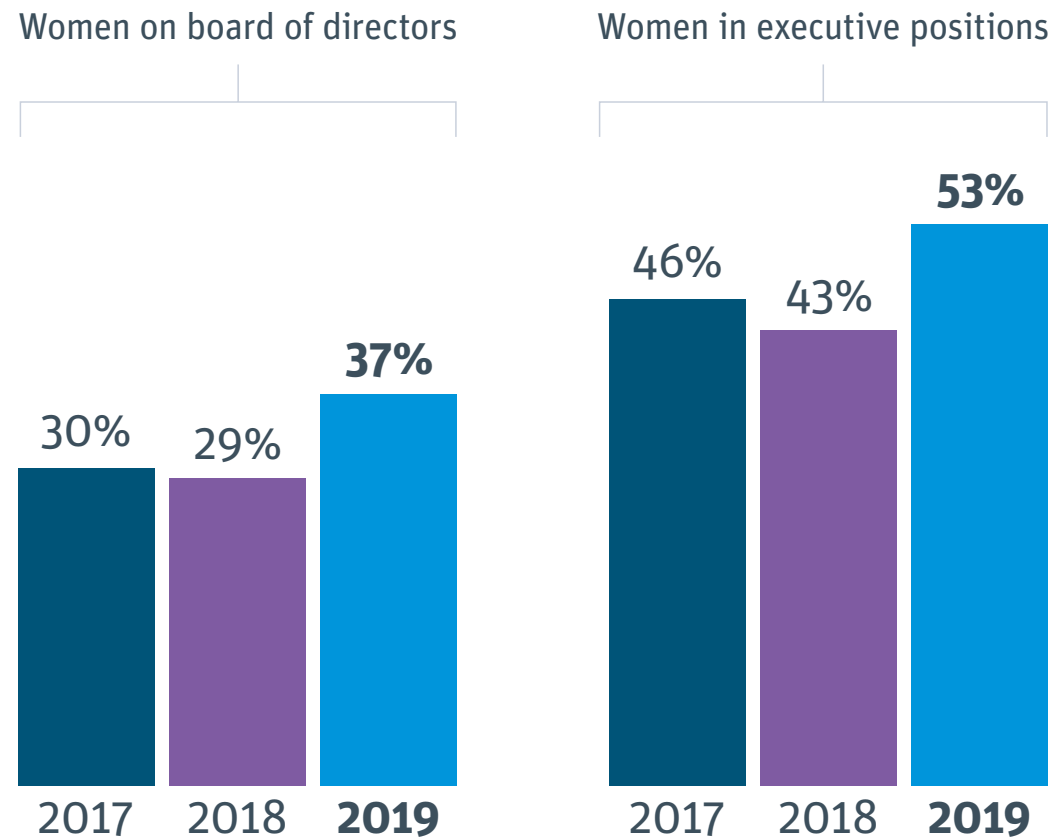
## Women are gaining more startup leadership roles

The focus on gender parity in the innovation ecosystem has increased in recent years. While there is still work to be done, US startups are reporting some progress.

The percentage of startups with at least one woman on the board of directors has increased to 37 percent – the highest level since SVB started tracking in 2015. The percentage of startups with at least one woman in an executive position is 53 percent, an increase of 10 percentage points compared with last year.

**SVB will publish an in-depth report on Women in Technology Leadership in H1 2019.**

### Percentage of startups with at least one woman in a leadership position:



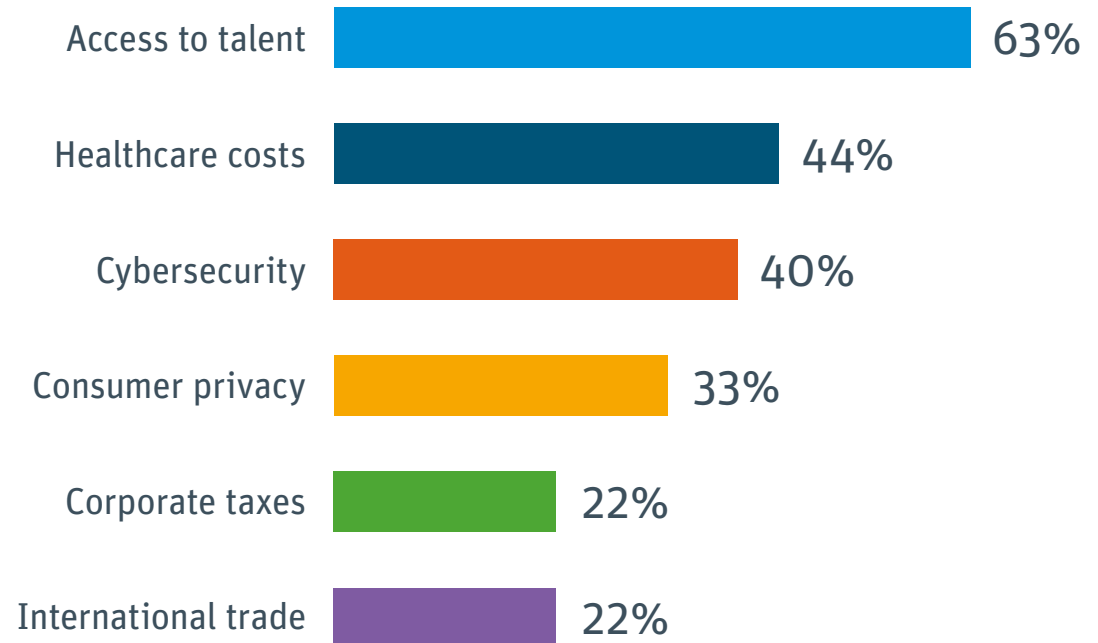
## Access to talent is the top policy concern

As in past years, a majority of US startups say access to talent is the most important public policy issue affecting companies like theirs. Concern over healthcare costs for employees and cybersecurity also rank highly. And more startups are citing consumer privacy than in the past.

**“The current rhetoric is sending good foreign-born talent overseas, while we’re not doing much to build the infrastructure to ensure that US residents can also be well-trained for these jobs.”**

CEO, cleantech company

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



**Note:** Respondents could choose up to three responses.

## Many US startups are uneasy about China trade policy

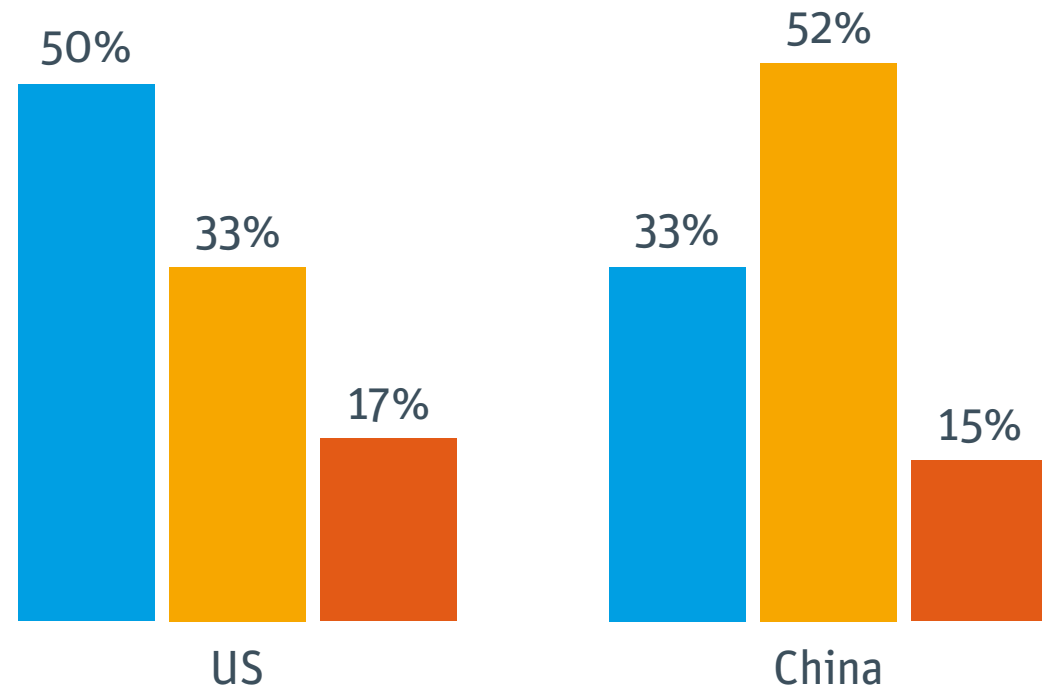
Half of US startups say they are concerned that trade policy between the US and China will hurt their businesses in 2019. Two-thirds of Chinese startups express concern about a negative impact.

**“The US-China trade war is an unknown risk. We need a stable operating environment.”**

COO, software company

### How concerned are you that trade policy between China and the US will negatively impact your business in 2019?

Not concerned   Somewhat concerned   Very concerned





## About Silicon Valley Bank

For more than 35 years, Silicon Valley Bank (SVB) has helped innovative companies and their investors move bold ideas forward, fast. SVB provides targeted financial services and expertise through its offices in innovation centers around the world. With commercial, international and private banking services, SVB helps address the unique needs of innovators.

Learn more at [svb.com/startup-outlook-report](https://svb.com/startup-outlook-report)