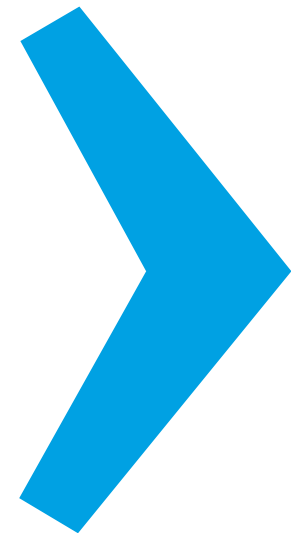


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Silicon Valley Bank

UK Startup Outlook 2018

Key insights from the Silicon Valley Bank
Startup Outlook Survey



Startups enter 2018 with confidence

*For the ninth year, Silicon Valley Bank is pleased to share the thoughts of more than 1,000 startup companies from innovation hubs around the world. In our **Startup Outlook 2018** report, we monitor the perspectives of technology and healthcare founders and executives who are part of the expanding startup ecosystem.*

We ask about business conditions, access to the funding and talent necessary to grow their companies and the public policy issues that affect them most. Their outlook matters because the innovation economy is a high-powered engine, driving job creation and opportunity, creating wealth and stability and inventing what comes next.

The majority of survey respondents are based in the United States, the United Kingdom and China, but many do business across borders. Despite political and economic volatility, the good news is that large numbers are signaling confidence and optimism for their businesses in 2018. In fact, 30 percent of startups globally believe that 2018 will be much better than 2017, and very few believe that it will be worse. Chinese entrepreneurs tend to be more optimistic about business conditions overall, and this year is no exception.

Startups globally are forecasting a strong M&A environment. The percentage of US startups that say they plan to hire is at a five-year high. US and UK startups believe that raising capital is getting easier. That is not the case in China, however. New sources of funding, such as initial coin offerings (ICOs), are available to the innovation economy, yet startups globally still expect to rely largely on the well-funded venture capital industry.

There are challenges of course, including difficulty finding the talent needed to grow their businesses, which is the No. 1 policy issue reported by startups for the fifth straight year. In comments collected from respondents in the US and

the UK, we heard this common refrain: Innovation succeeds when you have the ability to attract the world's best and brightest. Overall, more than 90 percent of startups globally again report that hiring is a challenge. Seeking growth and opportunity, nearly 30 percent of US and UK startups are locating critical divisions of their operations offshore due to immigration policy, tax policy or the regulatory environment.

Despite significant growth among US startups reporting that they have programs to increase the number of women in leadership positions, the percentage of US startups with female executives and board members remains low, and little has changed.

We live in dynamic and fast-changing times. The innovation economy now contributes to most of the key measures of overall economic health and is the major driver of job growth. For those reasons, we are more committed than ever to promoting innovation and the companies that are working to invent the future. Thank you for your interest in this report. Let us know what you think.



Greg Becker
CEO, Silicon Valley Bank

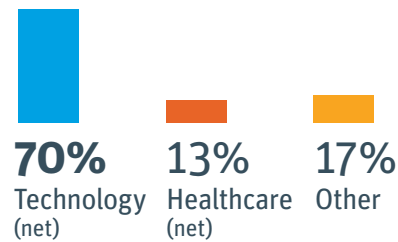
About the Startup Outlook survey

Our annual survey of technology and healthcare startup executives offers insights into what is on the minds of today's technology and healthcare leaders. For this year's survey, we received responses from startup executives in innovation hubs around the world.

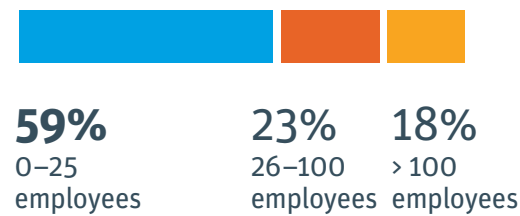
Total respondents

1,045

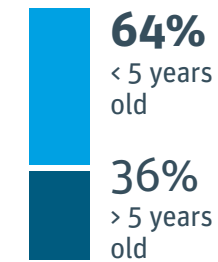
Industry sector



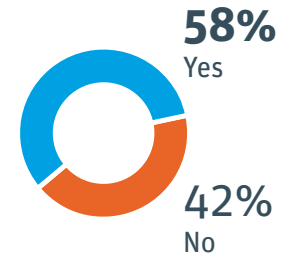
Size



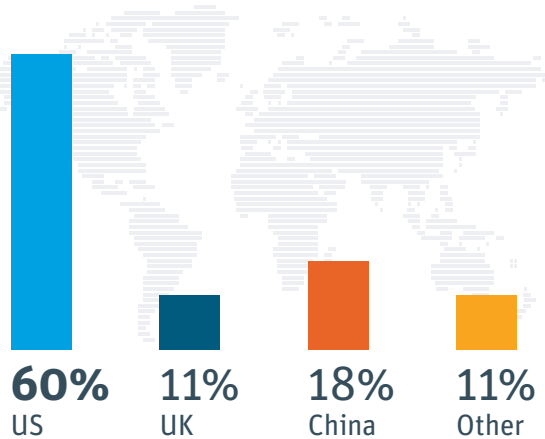
Company age



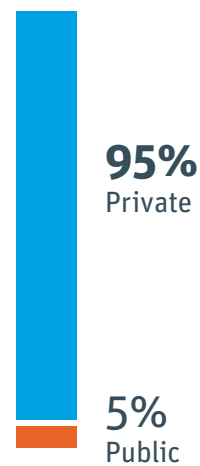
Profitable



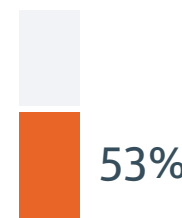
Primary place of business



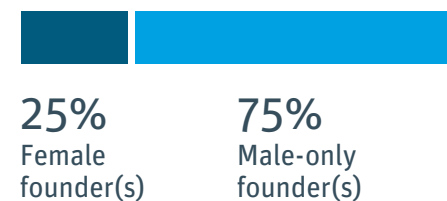
Ownership



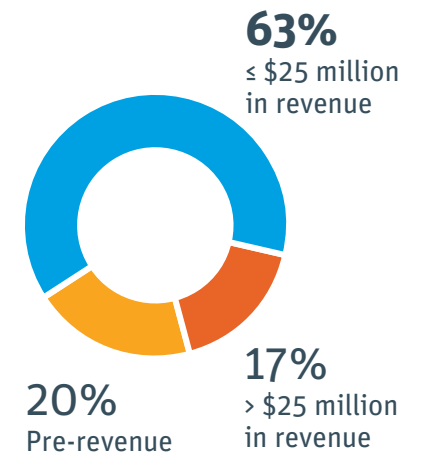
US companies with at least one founder born outside the United States



Founder gender



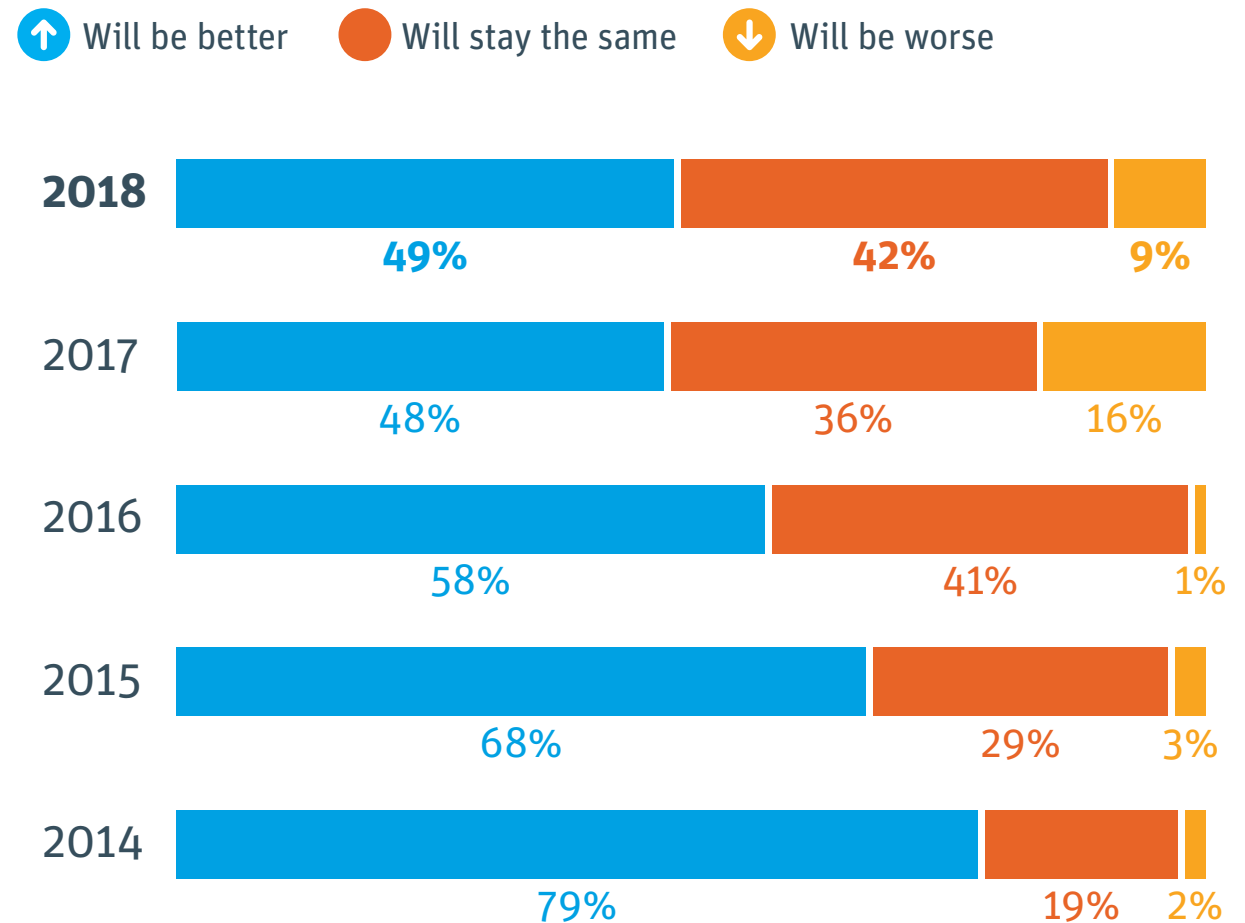
Revenue stage



UK startups remain optimistic

Given the backdrop of political and economic uncertainty, UK entrepreneurs are notably confident, with 49 percent of leaders saying that business conditions in the coming year will be better. An already confident group of respondents is feeling more optimistic, with fewer than 10 percent predicting that conditions will worsen in 2018.

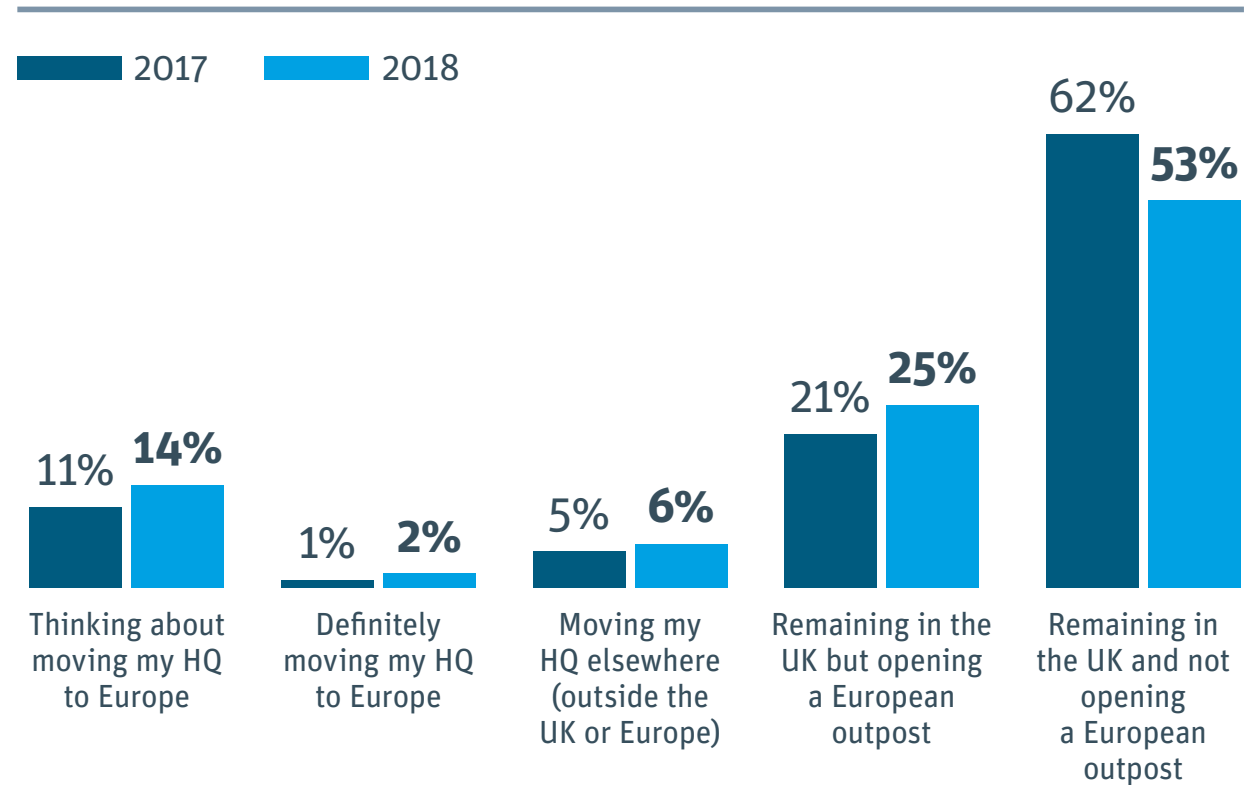
Describe your outlook on business conditions for your company this year compared with last year.



Brexit drives some startups to expand to Europe

With Brexit negotiations under way, startups are making preparations. While half say they don't plan to expand outside Britain, one in four is thinking of establishing a European outpost, up from one in five last year. Fintech businesses in particular are looking to expand to Europe to facilitate passporting.

As a result of the Brexit vote, I am...



“Brexit is complicating hiring. We are a global firm with a global team; we need them to be able to travel and relocate easily.”

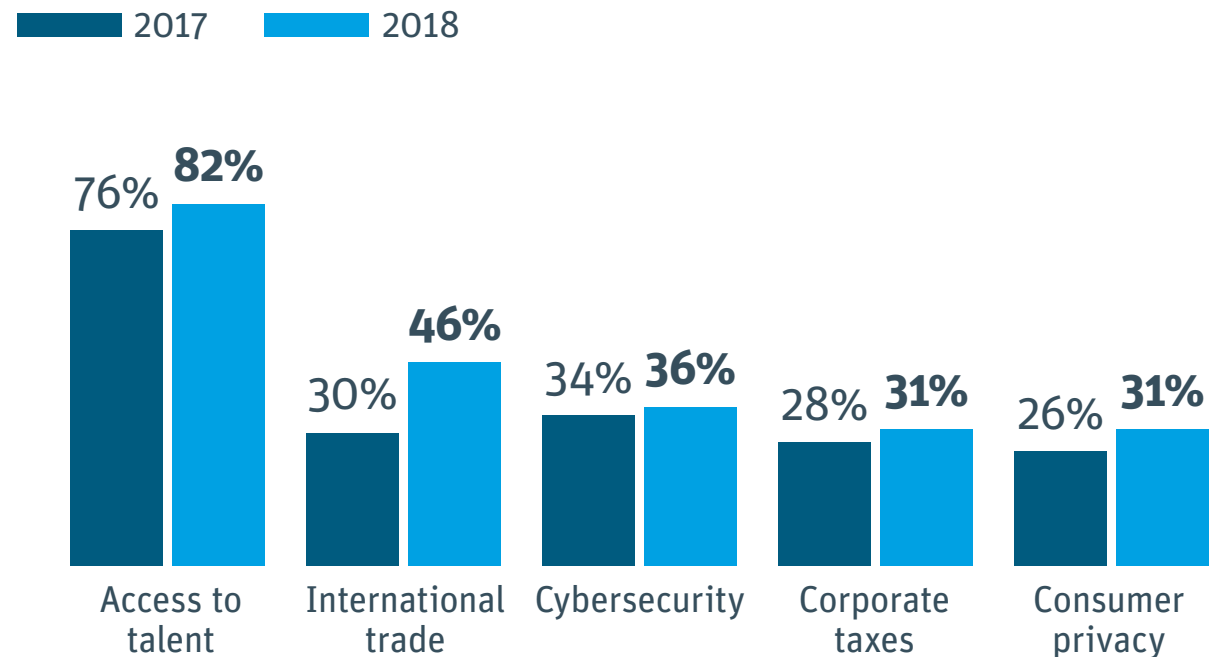
Co-founder/CEO, software company, London

Access to talent grows even more critical

Access to talent has become more of a concern over the past year for technology and healthcare businesses. Ongoing Brexit negotiations are causing uncertainty around the future of immigration and international trade, startups say.

Cybersecurity and consumer privacy are also growing concerns. New EU regulations designed to protect individual privacy – the General Data Protection Regulation (GDPR) – are scheduled to take effect in late May 2018. The measure has largely been welcomed by the industry, though many startups cite the extra strain on time and budget to comply with the new legislation.

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



Note: Respondents could choose up to three responses.

“Lay out a clear path on immigration that keeps the UK open to the sort of technical folks who have made the UK sector such a success.”

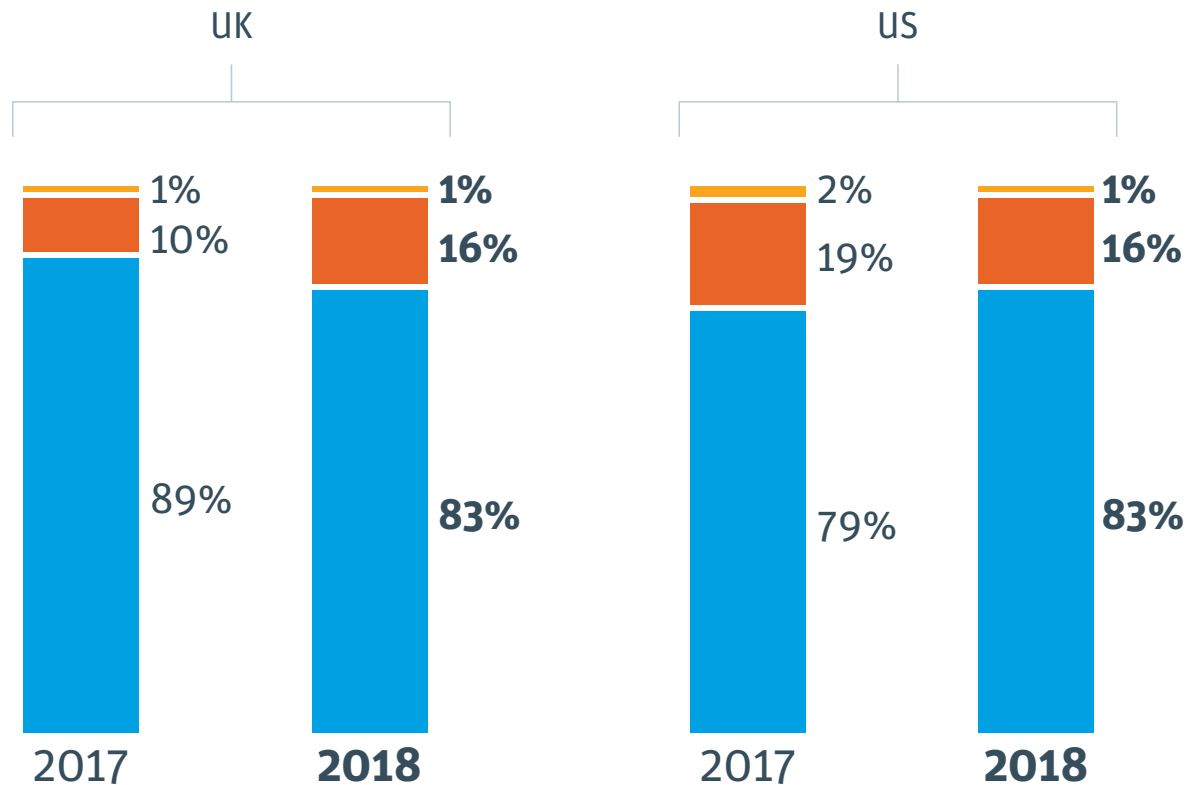
CEO, security software company, Guildford

UK startups are hiring

With access to capital getting easier, forecasts for hiring remain robust. Eight in 10 startups plan to expand their workforces in 2018, matching hiring plans of US startups.

What are your projections for hiring new employees this year?

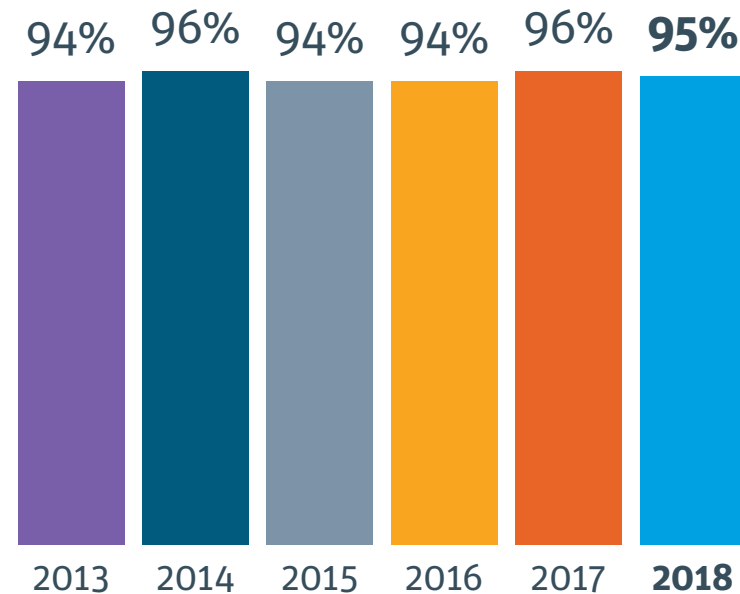
↑ Increase workforce
● Stay the same
↓ Reduce workforce



The talent crunch continues

Each year for the past six years, Startup Outlook has reported that huge majorities of entrepreneurs find it somewhat challenging or extremely challenging to find workers with the skills needed to grow their businesses. Though respondents say Brexit is complicating hiring, a lack of talent is a bigger, longer-term issue.

Percentage of respondents who say finding talent is somewhat challenging or extremely challenging:



“Innovative startups already face huge barriers; the ability to hire great talent should not be one of those. Companies should be able to hire from anywhere in the world with as little friction as possible.”

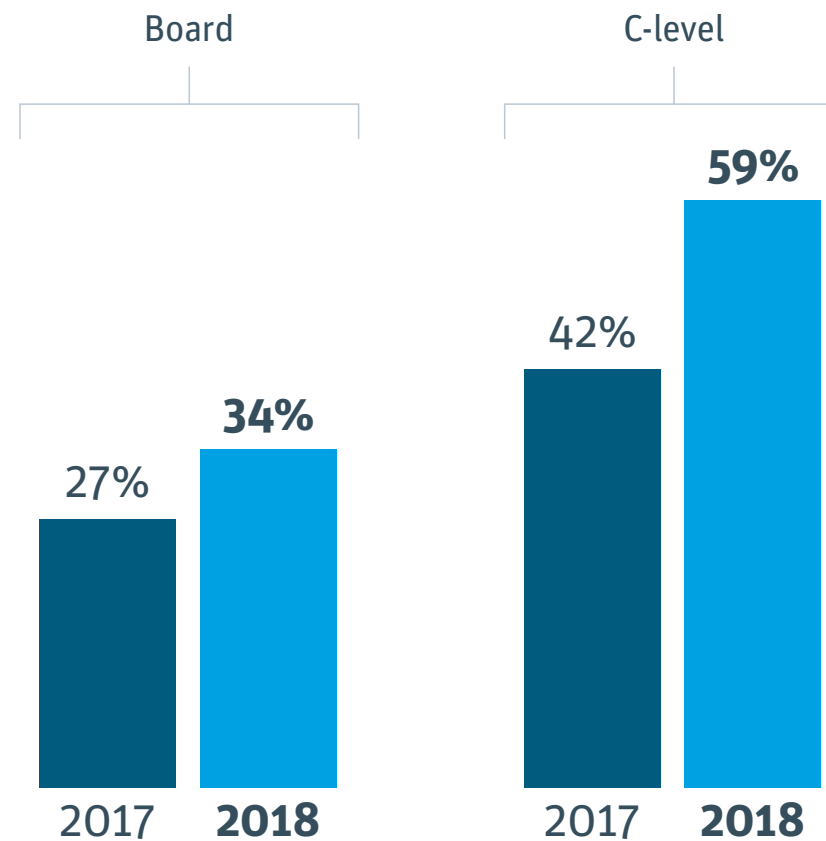
CFO, software company, London

More women in the C-suite

In an interesting turn, more UK startups report having women in C-level positions than in prior years. Far fewer have women on their boards of directors. Thirty-eight percent of startups say they have programs in place to increase the number of women in their leadership ranks.

Percentage of startups with women in leadership positions:

At least one woman in a leadership position



Good market for raising capital

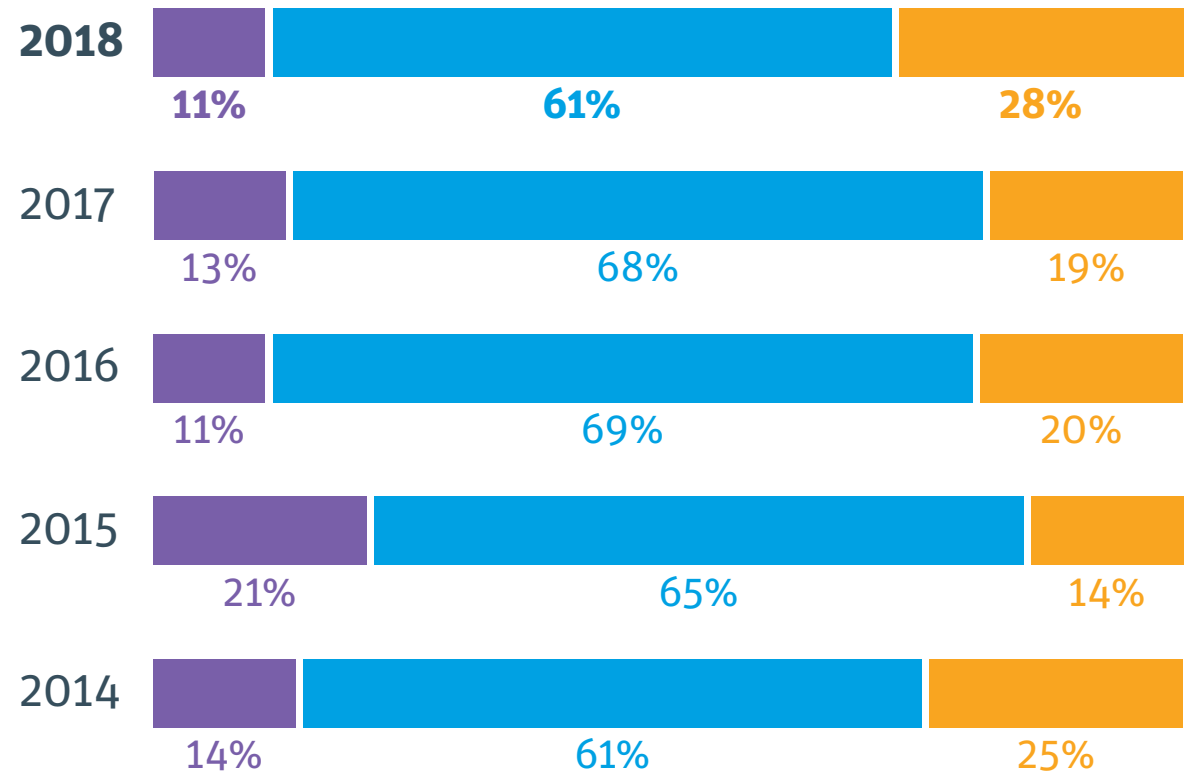
Nearly 80 percent of startups successfully raised capital, and of those 28 percent say the current fundraising environment is not challenging. This is a significant change from the year before, when 19 percent said it was not challenging. The share of those who say it is extremely challenging (11 percent) is about half of what was reported in 2015.

“Government should provide entrepreneurs with better tax breaks or funding support whilst they are building their businesses.”

Founder/CEO, venture capital company, London

What is your view of the current fundraising environment?

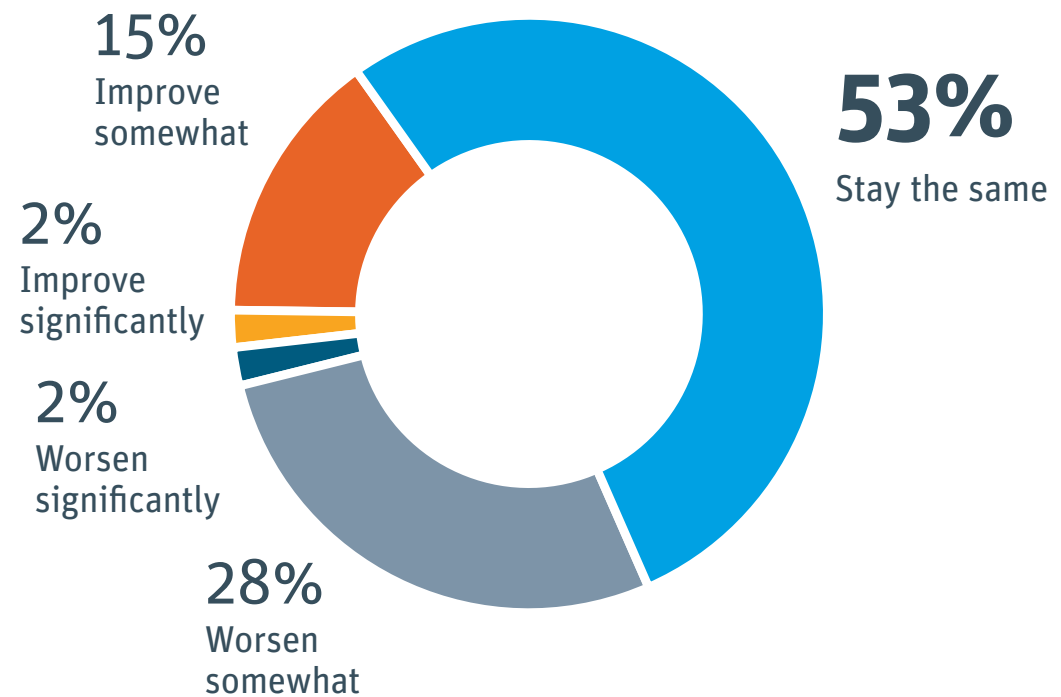
Extremely challenging Somewhat challenging Not challenging



Startups show some concern over access to international capital

Seventy percent of startups believe that the outlook for fundraising internationally will stay the same or improve in 2018; 30 percent believe that access to international capital will worsen. Since the Brexit vote, the UK hasn't experienced a negative impact on the number or size of deals. That said, the industry is concerned about a potential funding gap should the European Investment Bank withdraw capital from the UK.

Looking to 2018, the ability to raise capital internationally will...



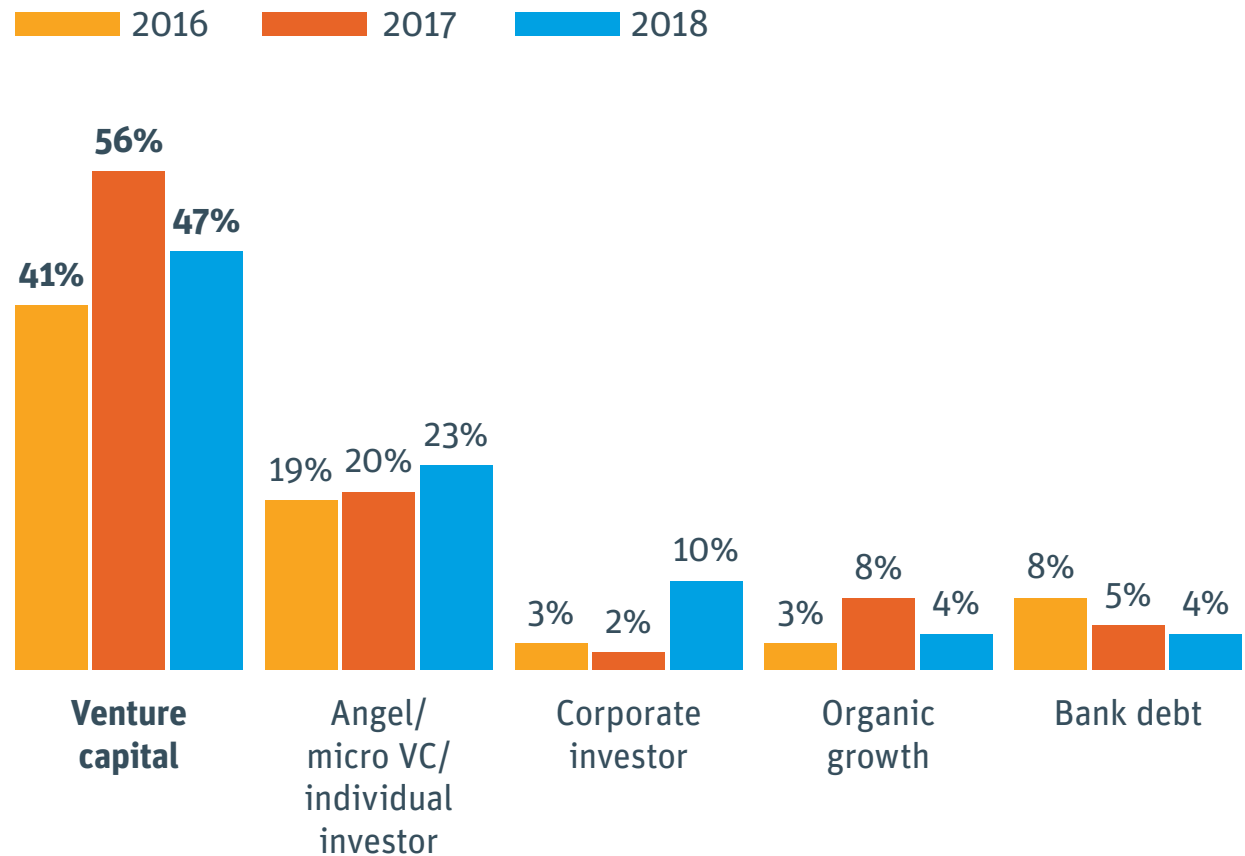
“Replace the European Investment Bank capital with UK funding to maintain the UK’s leading position.”

CEO, fintech company, London

Startups rely on VC, predict uptick in corporate funds

While venture capital remains the go-to funding source by a hefty margin, corporate investors are gaining as a source of funding.

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



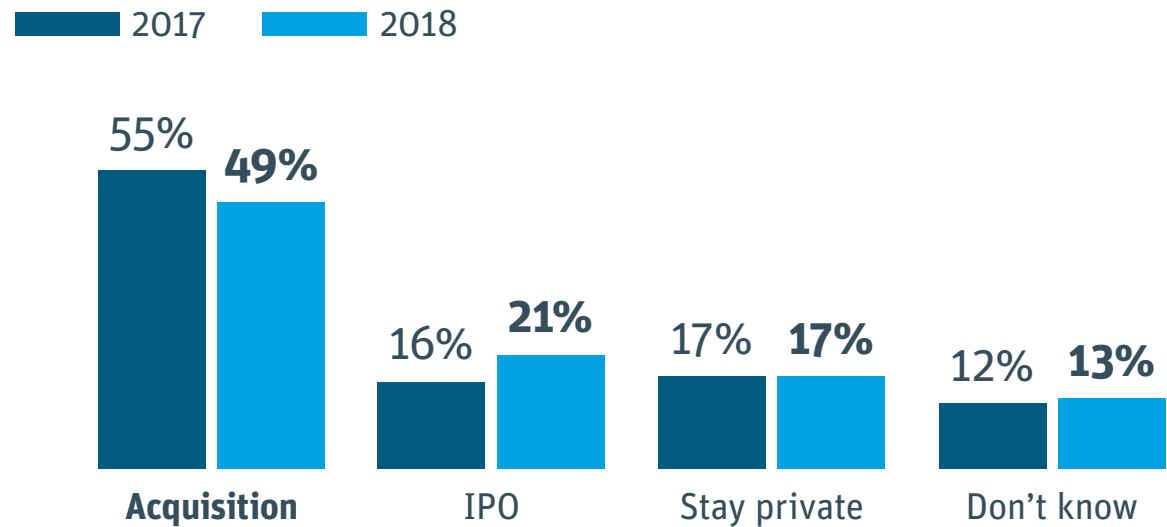
Note: Asked of private companies that successfully raised capital. Other sources of funding include private equity, IPO, merger, government grants and crowdfunding and represented 26% in 2016, 9% in 2017 and 12% in 2018.

Startups say M&A is their most likely exit strategy

Half of startups expect to be acquired, though there is a small bump in the percentage that say going public is a realistic goal.

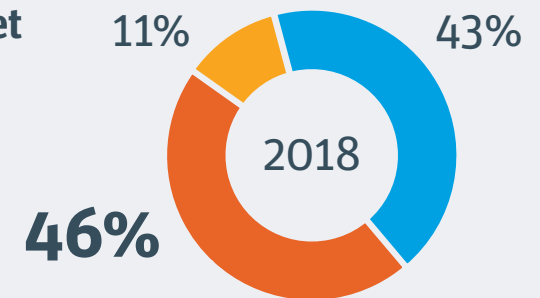
Entrepreneurs say the outlook for acquisitions in 2018 is good.

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



How do you think the M&A market will change in the next year?

- ↑ More acquisitions
- No change
- ↓ Fewer acquisitions





About Silicon Valley Bank

For more than 30 years, Silicon Valley Bank (SVB) has helped innovative businesses, enterprises and their investors move bold ideas forward, fast. SVB provides a range of targeted financial services and expertise through its office in the UK. With commercial and international banking services, SVB helps address the unique needs of innovators. The UK's leading technology and life science businesses, in all stages of development, look to SVB's niche expertise, 30 years of experience and unparalleled network, as they grow at home and tackle new markets abroad.

Learn more at svb.com/startup-outlook-report