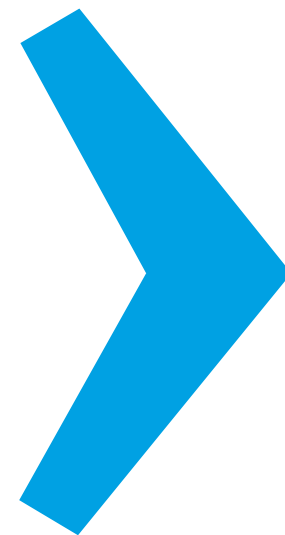


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Silicon Valley Bank

# US 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

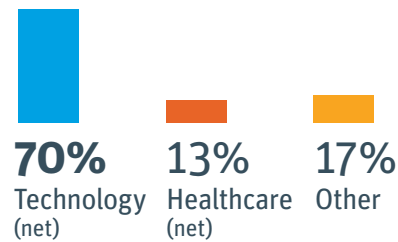
# About the Startup Outlook survey

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.

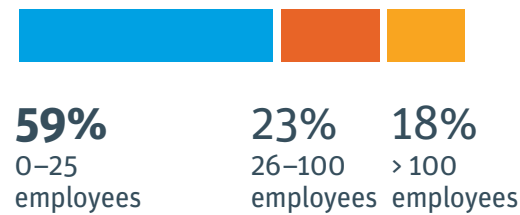
## Total respondents

1,045

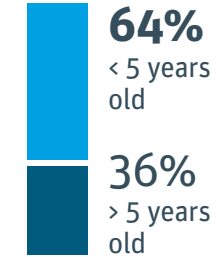
## Industry sector



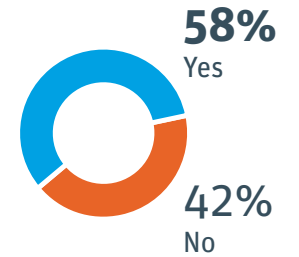
## Size



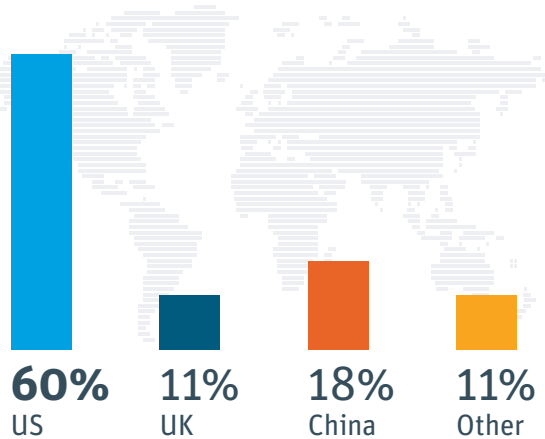
## Company age



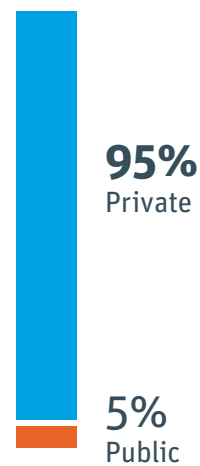
## Profitable



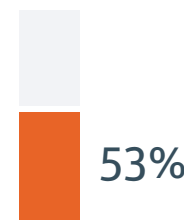
## Primary place of business



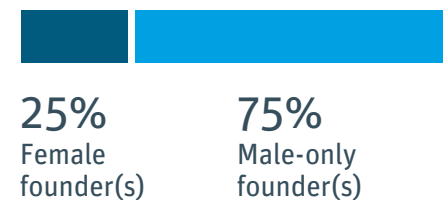
## Ownership



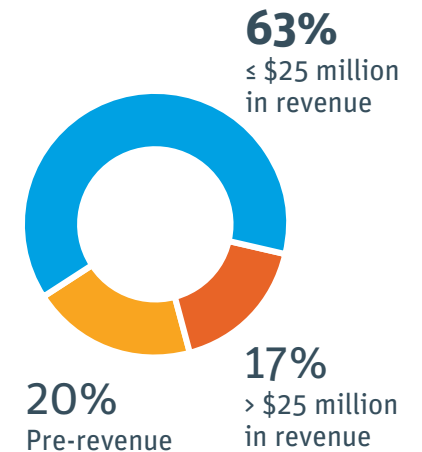
## US companies with at least one founder born outside the United States



## Founder gender



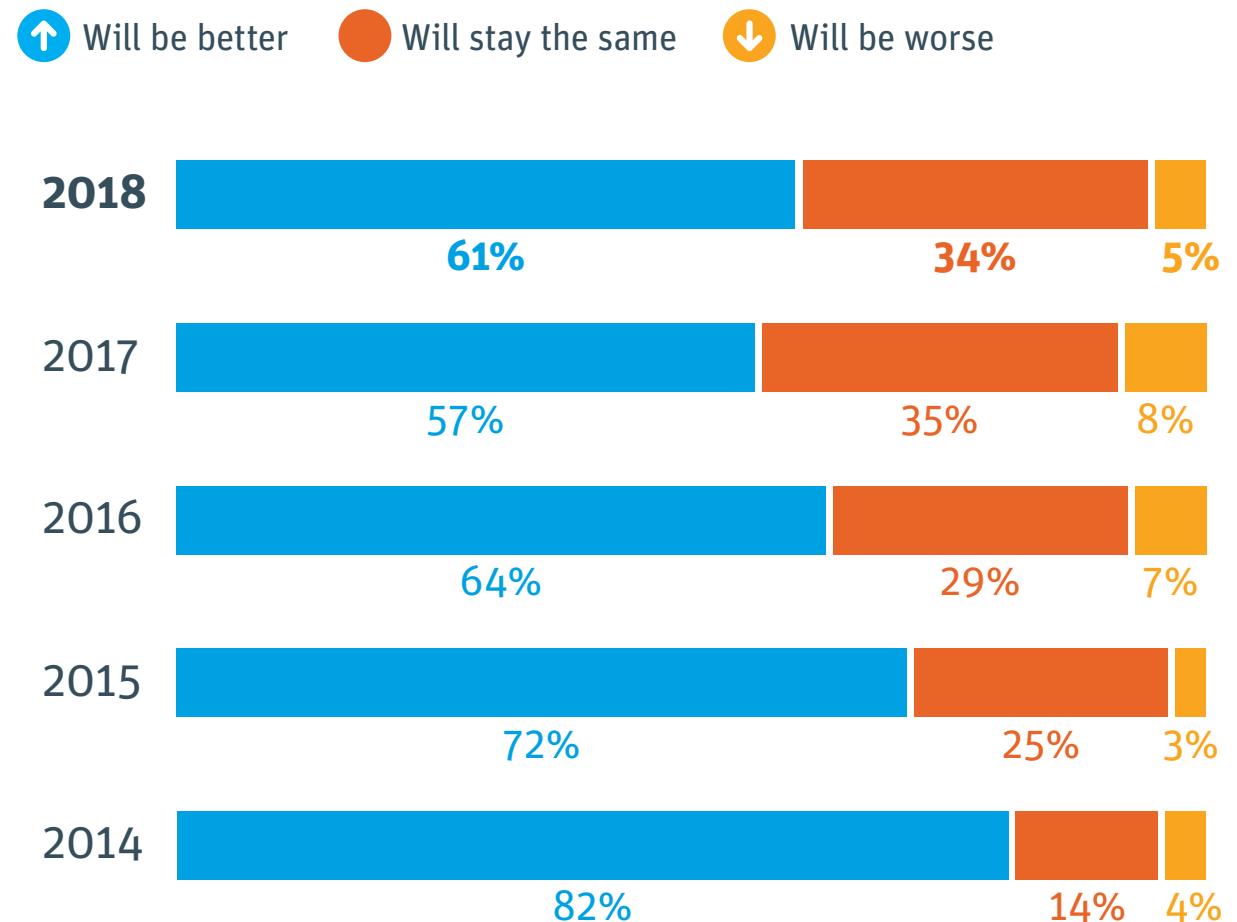
## Revenue stage



## The outlook improves

Inching up over a year ago, 95 percent of startups believe that business conditions in 2018 will be the same as or better than 2017 for companies like theirs. Those who say it will be much better rose 4 points to 27 percent.

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

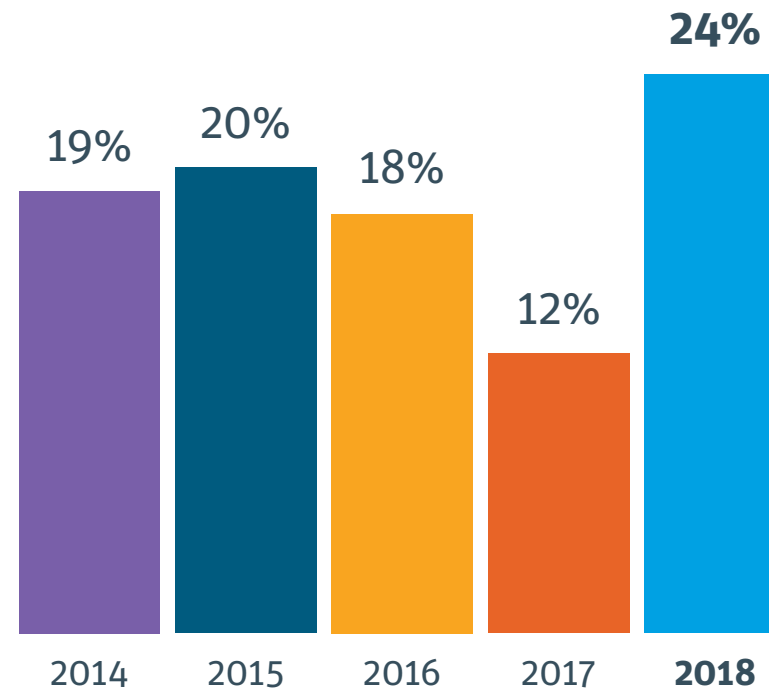


## Raising capital gets easier

In 2017, 69 percent of startups surveyed successfully raised capital, and nearly one-quarter of them say the current fundraising environment is not challenging. This is a significant change from the year before, when only 12 percent said that it was not challenging to fundraise. The number who say it is extremely challenging vs. somewhat challenging dropped.

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

#### Not challenging



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

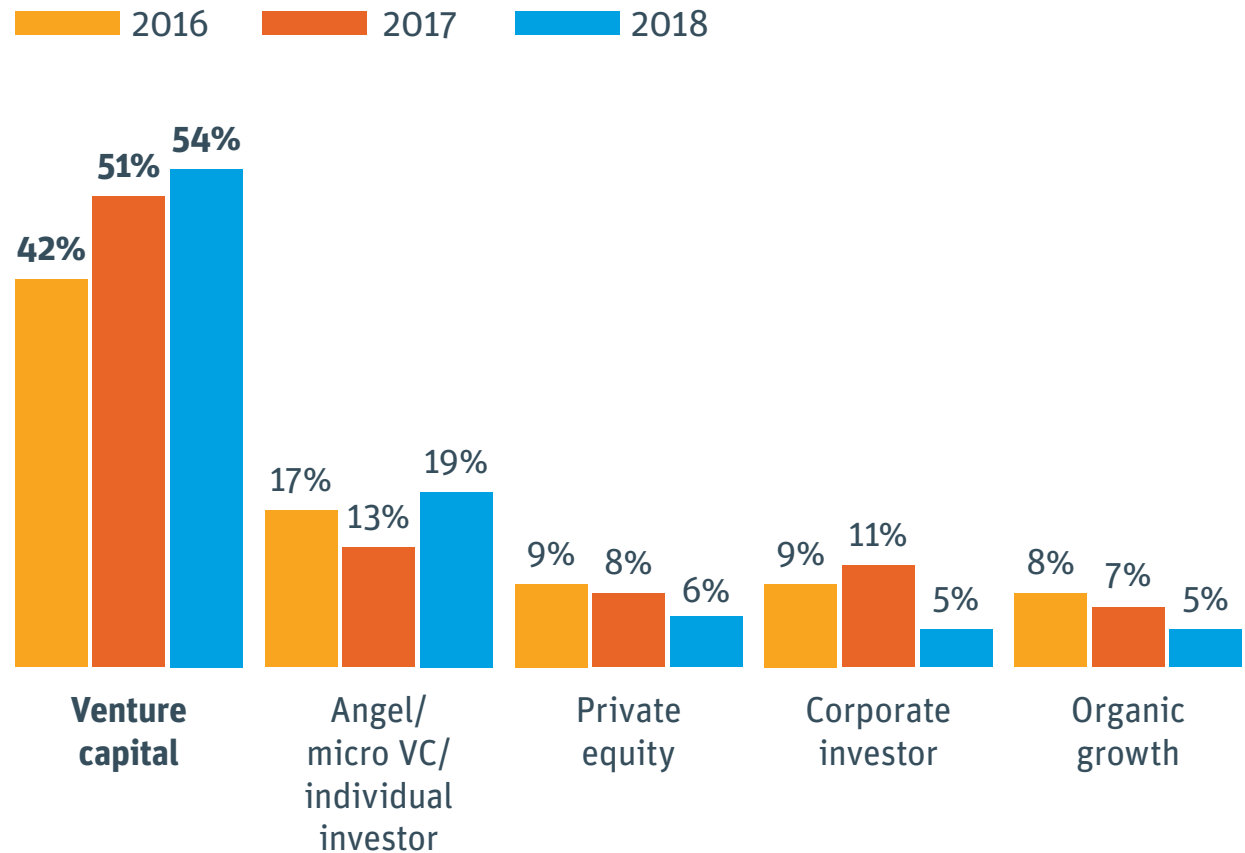
## Despite ICO debut, venture capital remains the primary funding source

Despite an increasing number of sources from which startups raise funds to grow their businesses, including ICOs, more than half of startups say they expect to obtain their next source of funds from venture capitalists.

**“Increase federal investment in startups to enable a path to market for high-risk technologies.”**

President, hardware company,  
Menlo Park, California

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

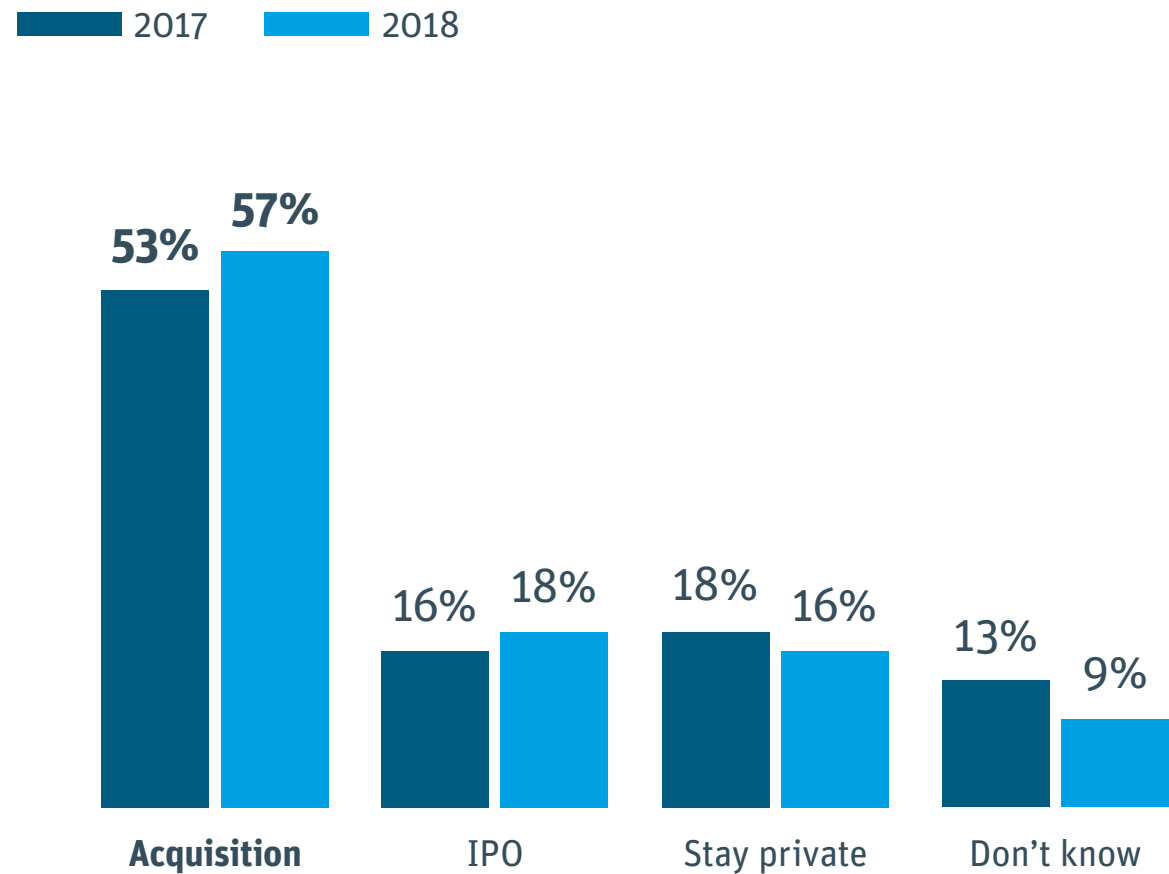


**Note:** Asked of private companies that successfully raised capital. Other sources of funding include bank debt, IPO, merger, government grants and crowd funding and represented 15% in 2016, 10% in 2017 and 11% in 2018.

## An IPO is not the realistic goal for most startups

With an improved outlook for IPOs, there is a small increase in the number of startups that eventually expect to go public. Acquisition, however, has long been the most common path to exit, and an overwhelming number of startups continue to believe that they will be acquired. Abundant access to private capital and the challenges of operating a public company influence startups' decisions to be acquired or remain private.

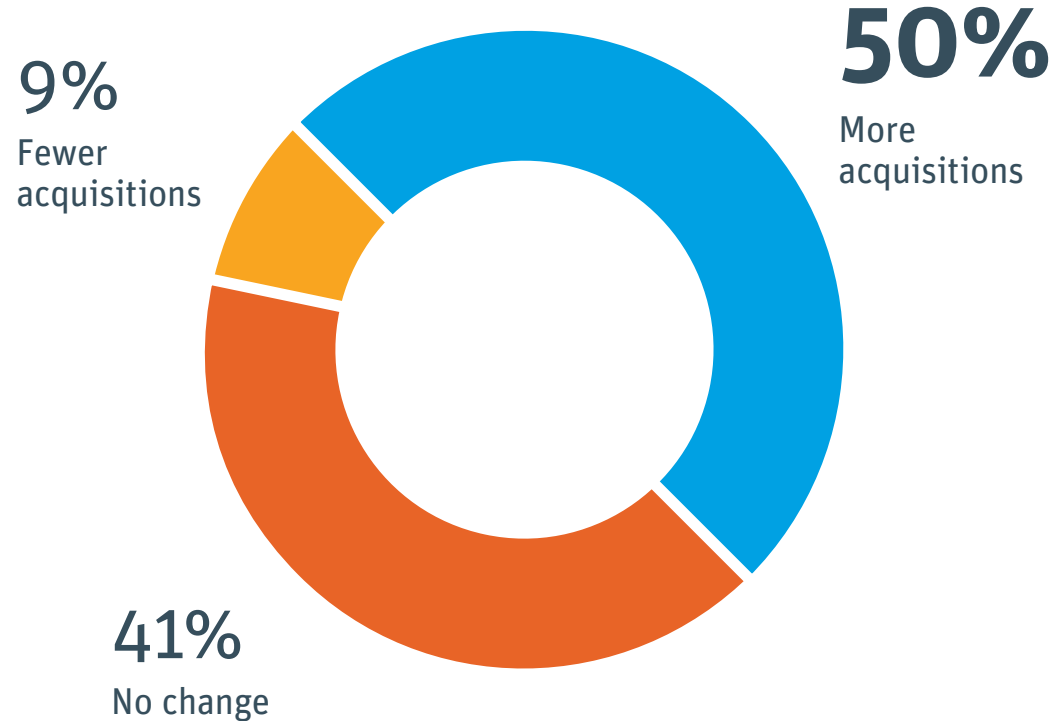
### What is the realistic long-term goal for your company?



## Startups expect M&A to remain strong

More than 90 percent of startups believe that there will be as many or more mergers and acquisitions in 2018 as in 2017.

### How do you think the M&A market will change in 2018?

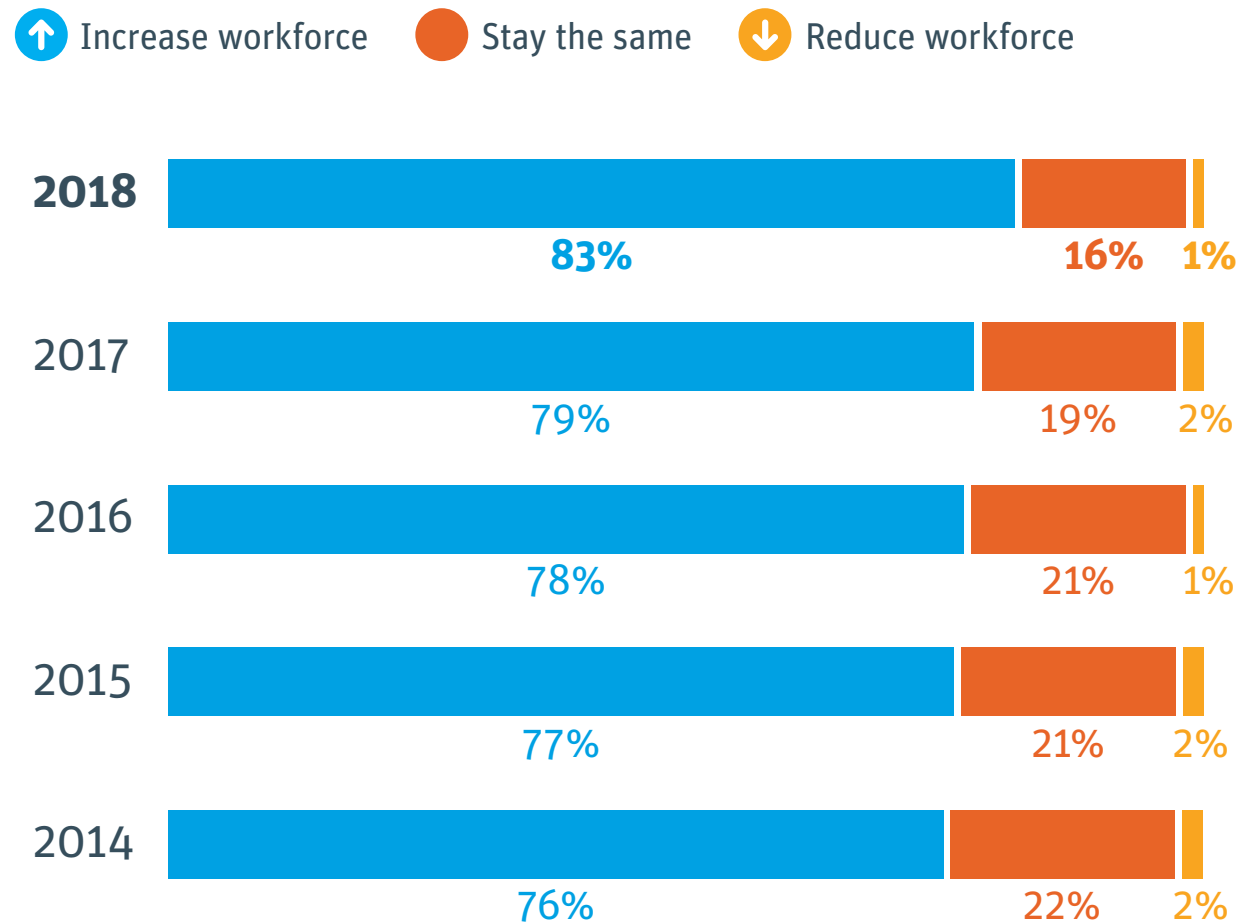




## Hiring outlook reaches a five-year high

Startups are growing. More than 80 percent say they are adding employees, while just 1 percent plan to cut their workforces in 2018. The top three job descriptions that startups are seeking to fill are product development, technical positions and sales.

### What are your projections for hiring new employees this year?



## The talent crunch continues

While startups plan to hire, most continue to find it somewhat challenging or extremely challenging to find workers with the skills necessary to grow their businesses. The number of STEM – science, technology, engineering and mathematics – graduates is increasing slowly, and the newest technologies require specialized engineers and data scientists, who are in short supply.

**“We need faster and different ways to accelerate education for technical talent. Cybersecurity and coding are the new shop class.”**

CEO, security software company,  
Atlanta, Georgia

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

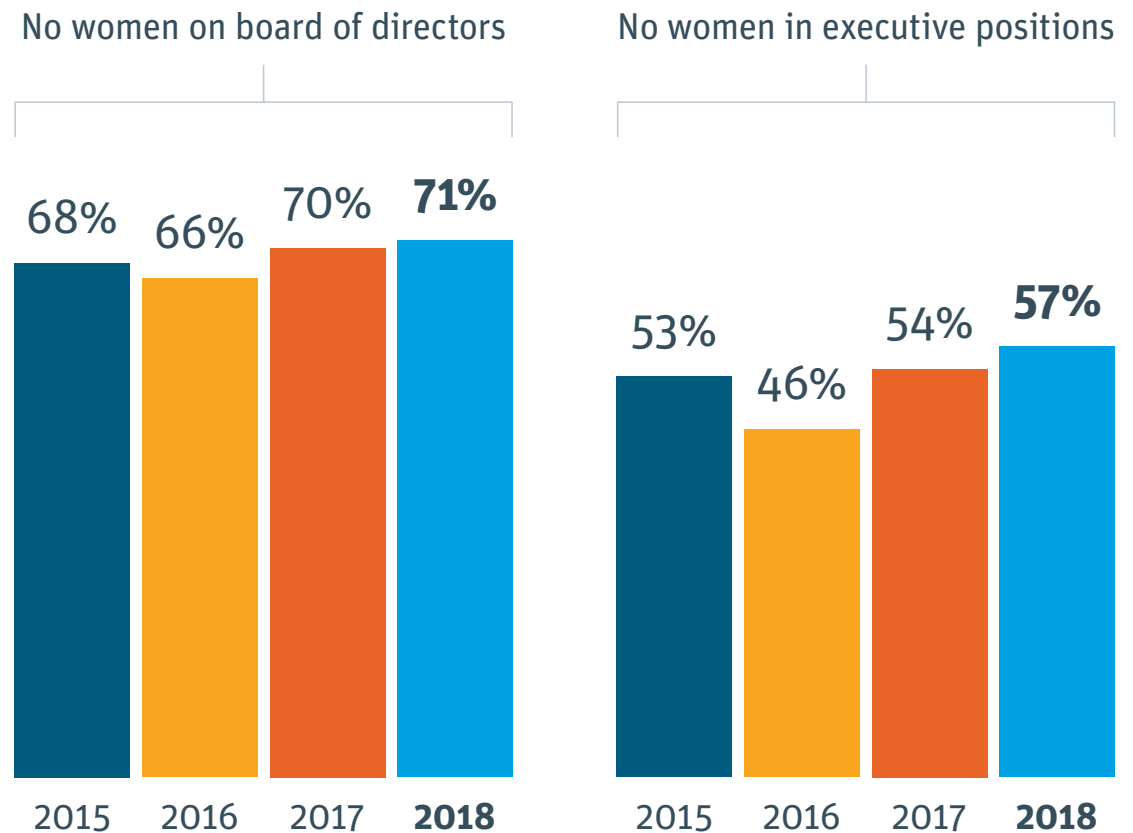
Respondents who say finding talent is somewhat challenging or extremely challenging



## There is no progress for women in tech leadership

Seven in 10 startups have no women on their board of directors, and more than half have no women in executive positions. The number of startups that say they have programs in place to increase the number of women in leadership, however, has jumped significantly, from 25 percent to 41 percent.

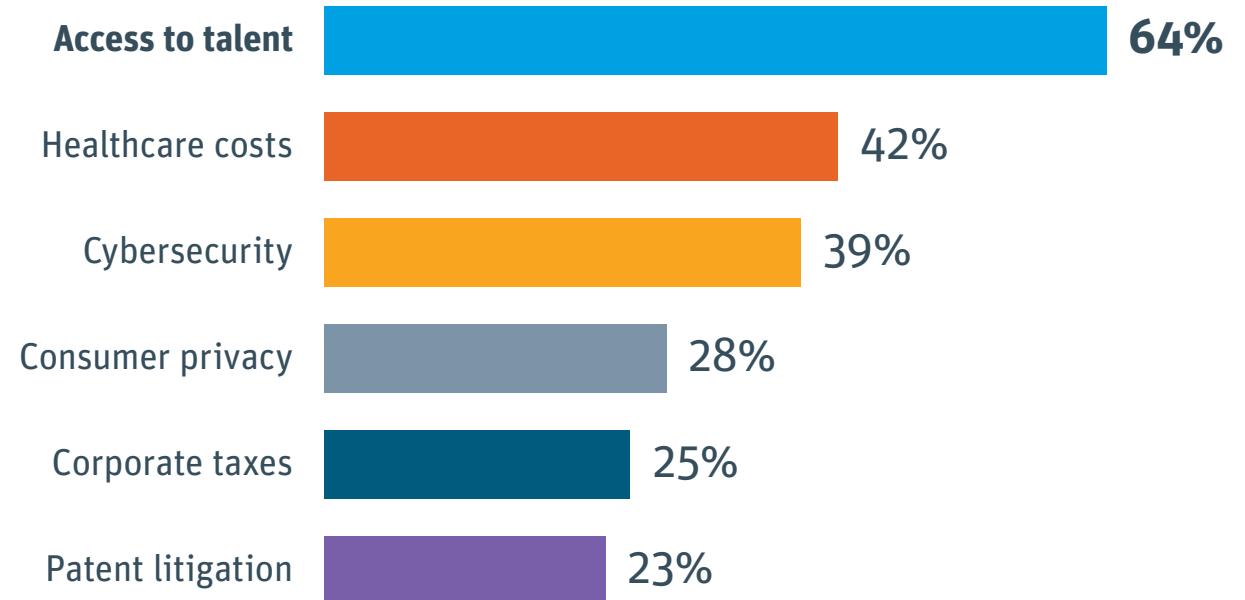
### Percentage of startups with no women in leadership positions:



## The call for access to talent intensifies

In this year's survey, significantly more startups say access to talent is the most important public policy issue affecting companies like theirs. The focus on healthcare costs for employees remains in the No. 2 spot, and the percentage naming it a top issue has increased. Consumer privacy is among the top five policy issues, along with cybersecurity and corporate taxes.

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



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

**“There is fierce competition for technical talent, driving up salaries and making it difficult for small companies to compete.”**

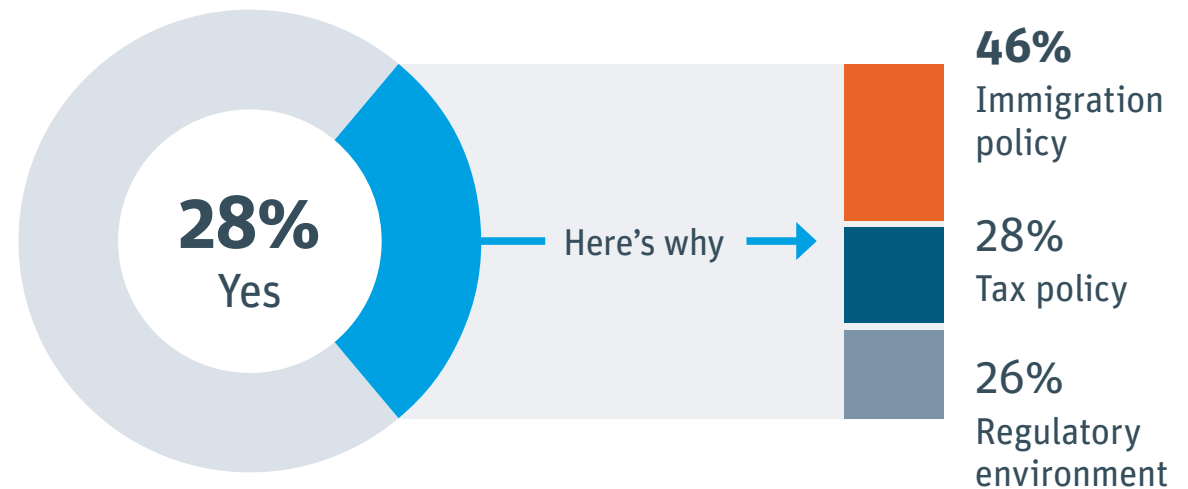
Co-founder/CEO, enterprise software company, Cambridge, Massachusetts

## US policy drives some operations offshore

Nearly one-third of startups, ranging from pre-revenue to more than \$25 million in annual revenue, say laws and regulations prompted them to locate facilities or move nonsales operations outside the US. The biggest driver is US immigration policy, followed by tax policy and the regulatory environment. With more than half of startups reporting that at least one founder is an immigrant, the innovation economy is deeply affected by US immigration policy.

### Have US laws and regulations materially affected your company's decision to locate facilities or hire employees for operational nonsales activities outside the US?

Hired or moved operations offshore



**“The US has succeeded in tech due to our ability to attract the world’s best and brightest. We need policies that encourage that to continue.”**

Co-founder/CEO, digital technology company, Redmond, Washington



## About Silicon Valley Bank

For more than 30 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)