

THE OPPORTUNITY TO  
**SCALE UP IN LONDON**



**LONDON**  **& PARTNERS**

Scaling a business is challenging. But by choosing the best ecosystem to achieve this growth, where both the company and its employees can thrive, entrepreneurs can put themselves ahead of the competition.

We believe London is the right choice. Many Israeli companies agree with us, with tech firms such as Gett and eToro setting up home here. And more Israeli firms went public in London in 2014 than from any other overseas country.

As London's official promotional company, dedicated to helping companies like yours realise their global ambitions, we want to see more Israeli firms scaling up in London.

We hope this report will persuade you of the opportunities. We would be delighted to talk to you about how we can help your business.

**Gordon Innes**  
Chief Executive Officer  
London & Partners



## VCs love London tech firms

Five years since the Tech City initiative was launched by the UK Prime Minister to promote the tech cluster, London has become Europe's top destination for investors.

Venture capital investment into London technology companies has sky-rocketed, with over 16 times more investment in the first nine months of 2015 than in the whole of 2010. London-based tech companies raised \$1.6bn in those first nine months – eclipsing the \$1.3bn raised in the whole of 2014.

### Most funded London start-ups (since 2010):

- 1 **Funding Circle – \$273m**
- 2 **Borro – \$219m**
- 3 **FarFetch – \$195m**
- 4 **Powa Technologies – \$177m**
- 5 **Truphone – \$175m**
- 6 **Wonga – \$146m**
- 7 **World Remit – \$140m**
- 8 **Momondo Group – \$138m**
- 9 **Shazam – \$122m**

More and more investors are looking to capitalise on London's tech boom. In 2014 leading firms including Balderton Capital, Index Ventures, Google and Santander created new investment vehicles in the capital, worth more than \$1.5bn.

“In little more than five years we have seen investment in London's tech sector increase tenfold. Even more importantly, we are now starting to see more later-stage investments, which support the scaling of more London tech businesses”

**Eileen Burbidge**, Partner, Passion Capital and the Mayor of London's tech ambassador

“London's legal and regulatory environment, its funding environment and its exit environment for technology companies are all just improving in leaps and bounds” says Mike Butcher, Editor-at-large at Tech Crunch.

## An environment for talent

The race to attract highly-skilled talent to the world's leading technology hubs is getting more challenging, with cities around the globe competing against one another.

With 382,000 people working in computing, gaming, telecoms, film and media, London's technology and information sector is growing faster than in California<sup>1</sup>.

Additionally, over the next decade, the number of digital technology companies in London is expected to rise to 51,500, which will add an estimated extra 44,000 new jobs to the tech industry<sup>2</sup>. →



1. Source: South Mountain Economics, "London: Digital City on the Rise", underwritten by Bloomberg Philanthropies, June 2014

2. Source: Oxford Economics for London & Partners, "Digital Technology in London", June 2015

## London's talent environment

**382,000**

people working in computing, gaming, telecoms, film and media

**51,500**

digital technology companies in London by 2025

**44,000**

new jobs in the digital technology industry over the next decade

**23,000**

students studying computer science and maths courses

**233**

languages spoken

**5**

of the world's top 100 universities located in the capital

This appetite for tech talent has led London's top universities to run specialist IT-based courses to address the need for young talent. Currently more than 23,000 students are studying computer science and maths courses in the capital<sup>3</sup>, which is home to five of the world's top 100 universities, including Imperial College, Kings College, the London School of Economics and University College London. Oxford and Cambridge are also just 50 miles away.



The workforce in London is hugely international. According to Boston Consulting Group, the capital is the most desirable global city in the world to move to for work, ahead of New York and Paris. This environment benefits companies looking to grow internationally. 233 languages are spoken in the capital; this facilitates global business<sup>4</sup>.

**“London is now a global powerhouse for technologists, rivalling New York and San Francisco city”**

**Dimitar Stanimiroff**, Managing Director EMEA, Stack Overflow

“London-based businesses can benefit from access to 25% more developers and over 15% more mobile developers than in New York City. London is also ahead of its European counterparts for the number of back-end developers, mobile and Microsoft technologies” says Dimitar Stanimiroff.

## Ranked as the top city for fast growth

More than 50% of the Sunday Times 2015 Tech Track 100 list are located in London, drawn by the city's strong economic growth.

London's economy continues to boom – in 2013 it was worth around £338bn, more than double its value in nominal terms compared to 1997<sup>5</sup>. It is forecast to continue to grow by over 3% per year over the next three years.

A key reason for this is the city's propensity for fast business growth and ease of doing business, which are key ingredients for scale up businesses.

UK corporation tax decreased to 20% on 1 April 2015, and will be reduced further to 19% in 2017 and 18% in 2020. This means that companies in London will benefit from the lowest corporation tax rates in the G20.

It is no coincidence, then, that tech giants including Amazon, LinkedIn, Google and Facebook have all set up in London to enable them to grow their business in recent years.

PwC's Cities of Opportunity 6 report, published in 2014, also ranked London the top city for economic clout, recognising its role as a global hub of commerce, investment and production. →

3. Source: HESA Student Record, 2013/14

4. Source: Language Capital report, CILT, 2010

5. Source: GLA Economics, July 2015

## Top five cities for economic clout<sup>6</sup>

1	London
2	Beijing
3	New York
4	Paris
5	Shanghai

**“ Having a foothold in London made sense for us – not just due to the city’s strong financial centre, but because of the supportive space that exists for tech companies looking to disrupt the market. Government, the financial sector and established businesses are willing to discuss how best to ensure that innovation can flourish ”**

Yoni Assia, Founder and CEO, eToro

## London: Europe’s top tech hub

The size and diversity of the European market make it an obvious first step for companies looking to scale up in new markets. Investors, too, are flocking to the continent to make the most of the tech boom.

With an estimated ecosystem value of \$44bn, London is the fourth largest ecosystem in the world, and the largest in Europe. It is also the world’s most diverse ecosystem, with 53% of foreign employees and 18% of female founders, according to Compass’ The Global Startup Ecosystem Ranking 2015.

Research from EY shows London’s dominance of tech across Europe and the city’s attractiveness as a tech hub – more than 1000 international tech investment projects located in London between 2005 and 2014. This is almost three times as many as the next most attractive city, Paris.

London is also the leading European centre for fast-growing tech companies. 13 of the 40 European unicorn tech companies that have achieved IPO status or been valued at \$1bn hail from London: ASOS, JustEat, Skrill, Wonga, Zoopla, Farfetch, TransferWise, Shazam, Funding Circle, Markit Group, Ve Interactive, Powa and Rightmove<sup>7</sup>.

Another key differentiator for the capital is that it leads the market in several tech sub-sectors. While London’s traditional strengths lie in finance, media and business services, more recently new areas, including adtech, medtech, edtech and fintech, have emerged as leading sub-sectors. Indeed, according to a 2015 William Garrity Associates report, 55% of investment in European fintech since 2010 has been in the UK. Furthermore, the sector employs 44,000 people – more than both Silicon Valley and New York.



6. Source: PwC

7. Source: GB Bullhound, “European Unicorns: Do They Have Legs?”, June 2015

## Leading European HQ

Of the top 250 Fortune global companies with international or regional headquarters in Europe, 40% are located in London.

This rises to 49% of the top 250 US companies with a European HQ, and demonstrates how global firms are using London as a springboard into the rest of Europe, tapping into a market of more than 500 million consumers and businesses.

“Measured by the locations of business headquarters, London is by far the leading commercial centre and business capital of Europe”

Angus Knowles-Cutler, London Senior Partner, Deloitte

“London is more central to the economy of Europe than New York is to the economy of North America, and continues to attract the largest proportion of high-skilled talent” says Angus Knowles-Cutler.



Logistically, this makes sense: the city has six major airports that connect passengers to more destinations than any other European city, and the UK's unique time zone is ideal for doing business in the Far East and North America.

“London is a great place to do business. The level of international connectivity and quality of staff is unrivalled in Europe” explains Remo Gerber, Managing Director Western Europe at Gett. “The combination of technology players, professional services and finance made London our location of choice for our European operations. Being a multilingual city also allows us to scale services across the entire continent.”

From January 2003 – September 2015, **376 FDI HQ projects** were recorded in London, representing a total capital investment of **£5.34bn**, creating **23,800 jobs**<sup>8</sup>

### Top 10 locations for HQs by inward FDI (number of projects)<sup>9</sup>

London	376
Dublin	159
Paris	158
Amsterdam	96
Copenhagen	62
Barcelona	55
Madrid	52
Berlin	50
Dusseldorf	46
Munich	39

8. Source: fDi Markets (data for January 2003–September 2015). fDi Intelligence from the Financial Times Ltd

9. Source: fDi Intelligence from the Financial Times Ltd, as of 9 October 2015

# Key takeaways

- » Venture capital firms and investors see London as a top destination for tech firms to start and scale up.
- » More than \$1.3bn was invested in London tech firms in 2014.
- » The tech industry is growing faster than Silicon Valley, with London becoming a digital powerhouse that will create 44,000 more jobs over the next decade.
- » For companies looking to scale quickly, London offers a gateway to more than 500 million customers.
- » Thanks to its geographical location, London is the best-placed city for international business and travel. The city has the best transport links of all European capitals.



## **We can help**

London & Partners is the official promotional company for London. We provide bespoke advice based around business drivers to help companies make better informed decisions more quickly.

Working with a network of partners, we provide investors with the information they need to take advantage of London's opportunities from day one.

For practical information on how to set up your business in London, visit our website or contact us.

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