

Tech start-ups

How London became a global tech hub

Entrepreneurs say capital has flourished despite lukewarm support from Downing Street



A robot wanders through the exhibition space during the TechXLR8 event, part of London Tech Week, at ExCel on June 12 © FT Montage/Getty

Tim Bradshaw and Daniel Thomas in London JUNE 15, 2019

When Dan Hughes learnt about bitcoin in 2011, he was convinced he could improve its underlying technology. A former telecoms consultant from Stoke-on-Trent, he spent six years in the Midlands working alone on faster and more secure versions of a decentralised transaction network.

But when he finally made a breakthrough, he did not fly to Silicon Valley — he took a train to London.

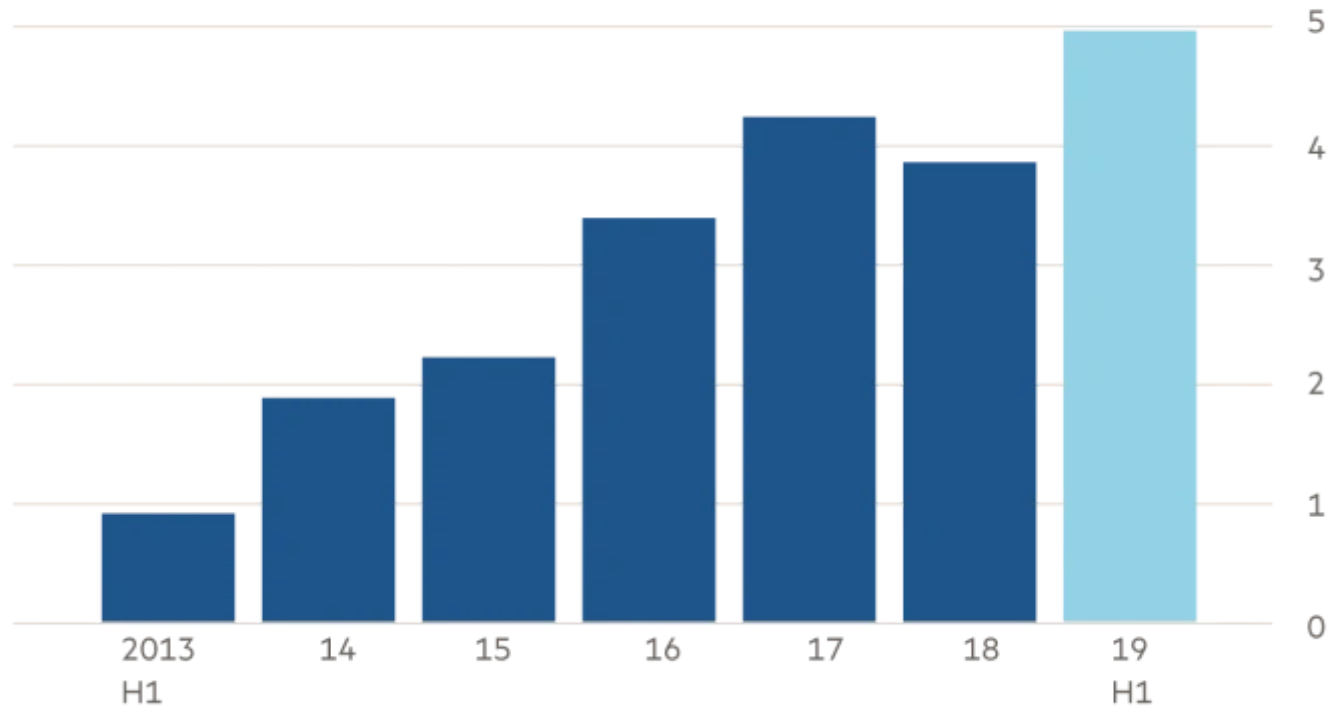
“One of the first bitcoin meetups in the world was on Brick Lane in 2012. London was already synonymous with finance,” he said. “If London hadn’t exploded in the way that it has over the past 10 years, I wouldn’t have had that access to the community.”

Radix, the “decentralised ledger” company that Mr Hughes launched with his co-founder Piers Ridyard, is one of hundreds of tech start-ups that have set up in London over the past decade.

The capital’s tech scene has changed beyond all recognition since the days when “Silicon Roundabout” was a self-depreciating in-joke among geeks in Shoreditch. According to industry group Tech Nation, the UK has now created more unicorns, tech companies valued at more than \$1bn, than any other country, besides the US and China.

VC investment hit a record high in the first half of this year

\$bn



Sources: Dealroom.co; Tech Nation
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Yet when outgoing prime minister Theresa May made a surprise appearance on Monday to open London Tech Week, it left many of the capital's entrepreneurs bemused.

“My fundamental belief is it is a bit like children and animals in acting,” said Nigel Toon, chief executive of Bristol-based chipmaker Graphcore, of the government's attempt to intervene in the tech industry. “Best to be avoided, to the extent you can.”

“The Cameron government really did embrace [tech],” said Tom Blomfield, chief executive of Monzo, the UK-based digital bank that has been valued at more than £1bn. “I’m not sure how much it helped, but it was a cause they wanted to align themselves with. Theresa May did none of that.”

Monzo, which now counts more than 2m users of its signature coral-pink bank cards, is one of a handful of successes in London’s fintech industry, alongside TransferWise, Funding Circle and Revolut. The presence of multiple start-ups achieving 10-digit valuations is “a sign of huge maturity” for the UK’s tech industry, Mr Blomfield said.

Yet back in 2011, when Mr Blomfield, then 26, turned down a job offer from McKinsey to found his second start-up, GoCardless, he was told by a family friend it would be “the worst decision of [his] life”. It is a move he now feels “pretty happy” about, adding that attitudes surrounding entrepreneurship were changing.

The UK still suffered from more “snark and cynicism” than the US when it came to start-ups, he added, but many in the tech industry saw [former prime minister] David Cameron and [former chancellor] George Osborne’s recognition of start-ups’ role in economic growth as vital to gaining legitimacy and attracting talent.



Outgoing UK prime minister Theresa May makes a speech on Monday to open London Tech Week © Reuters

Officials hope Mrs May's rallying speech at Tech Week will be taken as an endorsement for a sector that will be crucial to the longer-term success of the UK when Britain leaves the EU. But tech industry figures say Mrs May — who reportedly only replaced her BlackBerry with an iPhone last year — made for an unlikely champion of innovation.

This was a point that she herself appeared to acknowledge after the speech to the tech and telecoms business roundtable, helmed by ITV boss Carolyn McCall and BT chair Jan du Plessis. Mrs May joked that she would need to get used to sending emails again when finally handing over the keys to No 10.

For many tech entrepreneurs, the industry has flourished regardless of the government support, rather than because of it — in large part owing to London's position at the centre of international

capital and talent. But both are at risk in the event of a messy Brexit.

“We have something like 70 unicorns and 50,000 people with product-level experience, which is testament to how incredibly dynamic the tech sector is in the UK,” said Daniel Korski, a former adviser to Mr Cameron and now co-founder of Public, a venture capital firm. “But the question going forward is the extent to which the levels of investment and the levels of talent are going to be maintained, and frankly speaking, nobody really knows.”

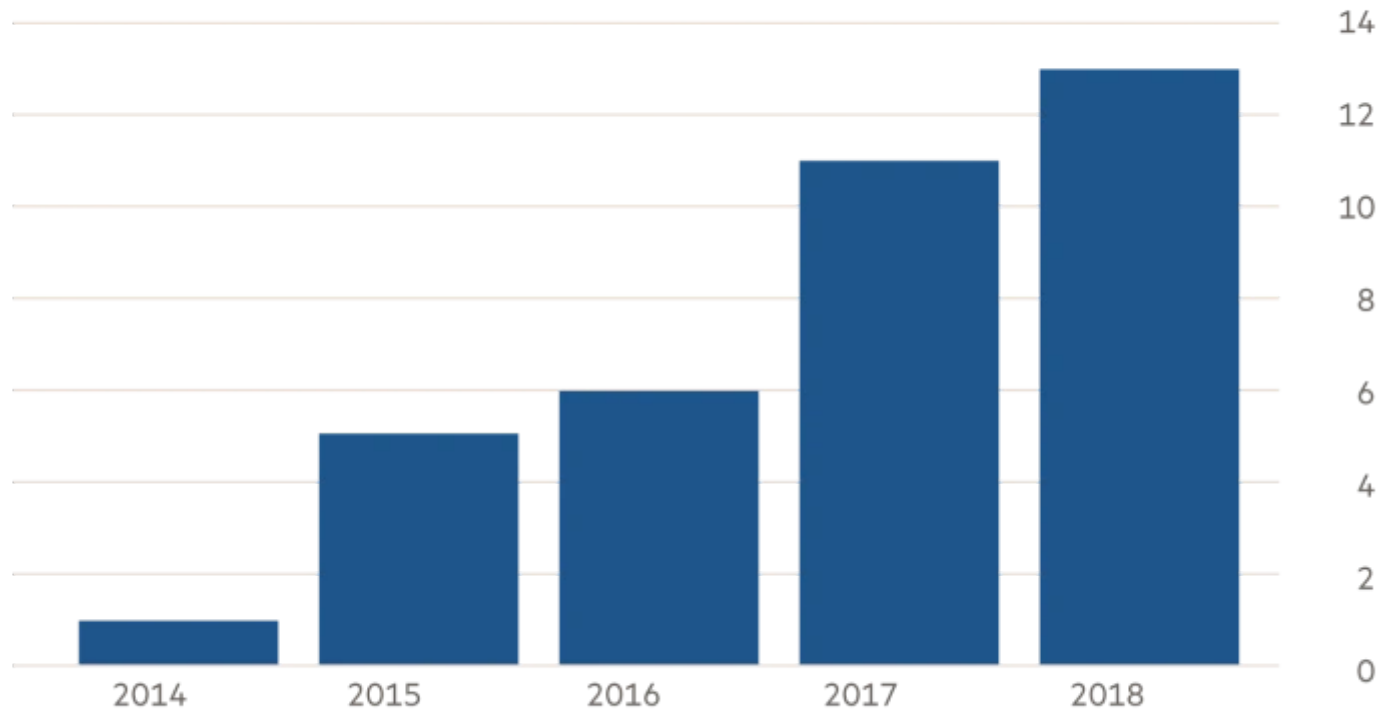
While immigration remains a threat after Brexit, funding is less of a concern, given the growing piles of capital now available to British start-ups.

The British Business Bank, a publicly owned lender with up to £2.5bn available through its backing of VC funds, has already invested in several unicorns, including Graphcore, TransferWise and Revolut.

Many entrepreneurs also credit the Seed Enterprise Investment Scheme, tax relief for early-stage investments introduced by Mr Osborne when he was chancellor in 2011, for a surge in tech funding.

More 'unicorns' are being created in the UK

\$bn



Sources: Dealroom.co; Tech Nation
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“SEIS made a huge difference — it was effectively free money for tonnes of start-ups,” said Hussein Kanji, an investor with Hoxton Ventures, which has backed food delivery group Deliveroo and cyber security start-up Darktrace.

Many VCs fret that SEIS has brought in the wrong kind of investors — “dumb money” that lacks the patience and ambition required to build great tech companies, even if that means delaying profitability for several years. But early-stage entrepreneurs have welcomed the cash.

Saku Panditharatne studied maths and computer science at Cambridge before moving to Silicon Valley to join virtual reality pioneer Oculus and, later, venture capital firm Andreessen Horowitz. But she came back to London in 2017 to raise seed funding for her own start-up, Asteroid AR.

“The capital problem is less of a big deal now than it was a few years ago,” she said. “It was much easier than I thought to find people who would support an ambitious long-term plan.”

The government has launched a study into UK tech competitiveness that will feed into the next Budget in the autumn. Part of this will look at whether to support a new tech hub.

This week, Saul Klein, one of Asteroid’s investors at London-based venture capital firm LocalGlobe, gave a presentation suggesting that the area around King’s Cross was shaping up to be a “new Palo Alto”, given the presence of tech companies such as Google and Facebook.

“Nearly 40 per cent of the unicorns created in Europe in the last 10 years have been in the UK and that lead is increasing,” Mr Klein said. “We are really seeing that London is becoming a Silicon Valley for the rest of the world.”

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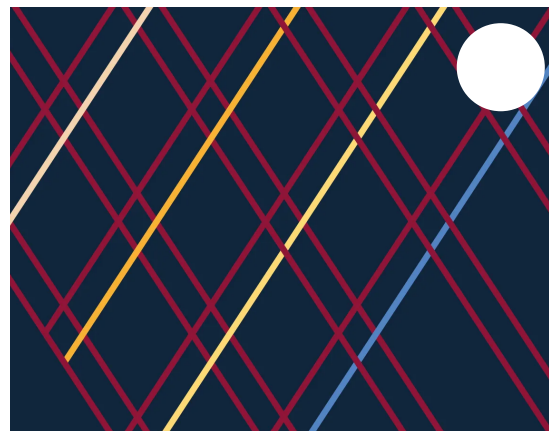
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