

## SEP MONITOR - November 2014 Mapping the UK's ICT "Scaleups"

### Abstract

The **Startup Europe Partnership** mapping and scouting database focuses on "**scaleups**" — European startups that have been able to break the "early-stage barrier" and are a candidate to become large global companies and real job creators.

This issue of the **SEP Monitor** includes the results of a preliminary analysis of the **ICT startup ecosystem in the UK** with a special focus on the UK's scaleups and exits. We have identified and analyzed approximately 400 ICT scaleups able to raise over \$1M in the last three-year period. Approximately \$5B was invested into scaleups via venture capital funds, while \$4B was collected on the stock market (IPO). In the last three years more than 15 companies turned into "scalers" by raising more than \$100M each.

SEP Monitor is based on ongoing research and data mining; results and findings are preliminary. This SEP Monitor reports only ICT companies. Other key areas in the startup ecosystem, such as biotech/life science, hard-tech and cleantech, are currently under investigation and will be reported in a next issue of the SEP Monitor.

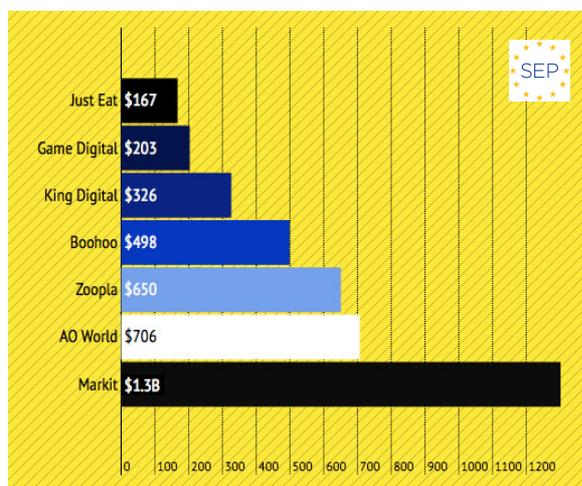
### Mapping UK's ICT "Scaleups" - SEP Headlines

**In the last three years approximately 400 UK startups (by far the biggest concentration in Europe) were able to raise – through venture capital funds – over \$1M each, with a cumulative total of almost \$5B in capital raised. An additional \$4B was collected on the stock market (IPO).**

- The SEP Monitor identified 359 UK scaleups that received post-seed funding (>\$1M in capital raised) in the past three years through venture capital funds.
  - 247 (69%) of the identified companies raised between \$1M-9M.
  - 112 scaleups raised more than \$10M.
    - 55 companies (15%) received funding between \$10M and \$19M.
    - 32 scaleups (9%) were backed by funding between \$20M and \$49M and 16 (4.5%) between \$50M and \$99M.
    - 9 companies (2.5%) broke the \$100M barrier in capital raised. They are now "scalers."
- More than 10 companies raised money through an IPO in the same period.
  - 7 companies raised more than \$100M.
  - 1 company (Markit) broke the \$1B barrier.
- The most notable companies that went public in the last three-year period are [Markit](#), [AO World](#), [Zoopla](#), [boohoo](#), [King](#), [Game Digital](#), [Just Eat](#), [Rightster](#), [Ubisense](#).
  - The London-based Markit raised \$1.3B in a U.S. IPO in 2014 (\$4.3B was its post-IPO valuation). Markit, founded in 2003, is a financial information services company helping businesses to improve operational efficiency and to meet regulatory requirements.
  - AO World, online appliances seller, debuted its IPO in February 2014, raising \$706M at a \$2B valuation.

- Zoopla is one of the most popular property websites in the UK and provides house price estimates available in the UK market by leveraging user-generated data. The company raised \$650M in June 2014 on the London Stock Exchange (LSE) with a valuation of \$1.5B.
- Boohoo, online fashion retailer, debuted its IPO on the LSE's junior AIM market in March 2014 raising \$498M with a valuation of \$0.9B.
- King Digital, the company behind the wildly mobile game “Candy Crush Saga”, made its debut on the New York Stock Exchange in 1Q/2014. The Company’s IPO raised \$326M at a record \$7B valuation.
- The British video game retailer Game Digital raised about \$203M in its IPO on the LSE (June 2014) giving it a market capitalization of \$571M.
- Just Eat, founded in 2001 in Denmark with headquarters in London, went public in April 2014 and raised \$167M with a valuation of \$2.4B. Just Eat is an online service acting as a web-based intermediary between independent takeaway food outlets and customers, and operates in 13 countries worldwide.
- Founded in May 2011, Rightster, an online video marketing platform headquartered in London, raised \$32M in AIM IPO (November 2013) giving the company a market cap of \$110M.
- Ubisense, a Cambridge University spin-off that provides enterprise business automation services, was floated on AIM in 2011. The listing raised \$14.5M giving it a market cap of about \$65M.

**Figure 1: UK’s ICT Scalers that raised ≥ \$100M through IPO (2011-14)**

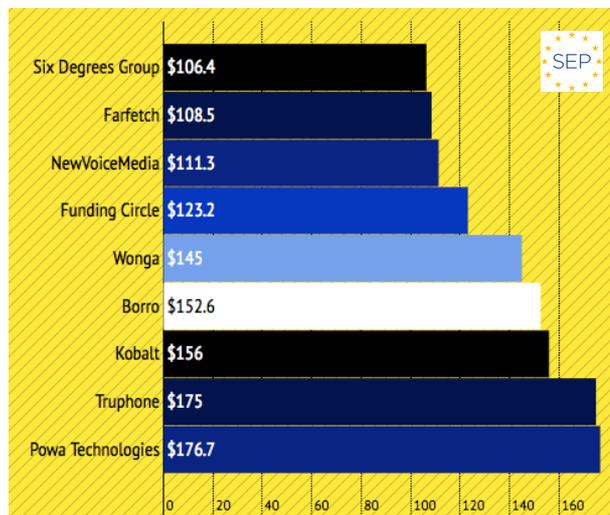


Source: SEP Monitor – November 2014

- [Powa Technologies](#), [Truphone](#), [Kobalt](#) and [Borro](#) are the most notable UK ICT startups that entered the “scaler” category in the last three years through venture capital funding.
- - Founded in 2007, London-based Powa Technologies, an international commerce specialist that creates technologies to seamlessly integrate the physical and digital world, raised in total \$177M.
  - Valued at \$473M, Truphone, a UK-based mobile network that lets its users make free or low-cost calls to other mobile devices, received in 2013 \$118M from a group of investors led by Russian Tycoon Roman Abramovich, bringing its total VC-funding to \$175M.

- Kobalt Music Group, an independent music publisher and music services company with annual revenue of \$175M (2013), in June 2014 completed a \$140M round with investors including London's [Balderton Capital](#) and [MSD Capital](#). Previously, it raised money from Spark Ventures and London business angels.
- Founded by Paul Aitken in 2008, Borro is an online company providing loans secured against personal assets such as fine art, antiques, and jewelry. It raised \$153M in four rounds from seven investors (including Canaan Partners, Eden Ventures, European Founders Fund, Augustum and Ribbit Capital). The most recent round of \$112M, (March 2014) came entirely from one backer, [Victory Park Capital](#).

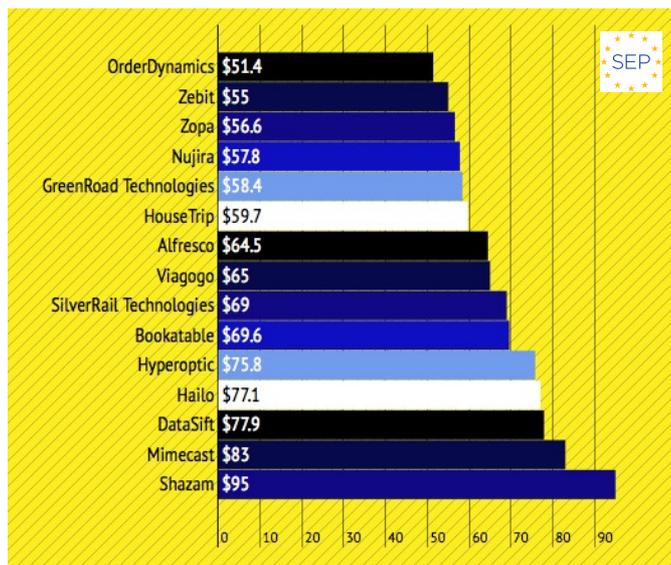
Figure 2: UK's ICT Venture-Backed Scalers that raised ≥ \$100M (2011-14)



Source: SEP Monitor – November 2014  
\*Preliminary Data

- Among the most promising of UK's ICT venture-backed scaleups are [Shazam Entertainment](#), [Mimecast](#), [Hailo](#) and DataSift.
  - Since its founding in 2002, Shazam Entertainment, a media engagement company, raised \$95M in 8 rounds from 5 investors. The last investment of \$3M was secured by [Sony Music Entertainment](#) May 2014.
  - Backed by a \$83M investment (Series C, 2012) from [Dawn Capital](#), [Index Ventures](#) and [Insight Venture Partners](#), London-based Mimecast offers an email management platform for companies to administer their communications and data.
  - Based in London, the taxi-hailing app Hailo raised \$77M. After finding early success in Dublin, London and Toronto, Hailo launched its first U.S. city (Boston) in October 2012.
  - Reading-based DataSift collected more than \$77M in 6 rounds. Founded in 2010, DataSift is a leading social data platform, enabling companies to aggregate, filter and extract insights from public social conversations.

Figure 3: UK's ICT Venture-Backed Scaleups that raised between \$50M and \$100M (2011-14)

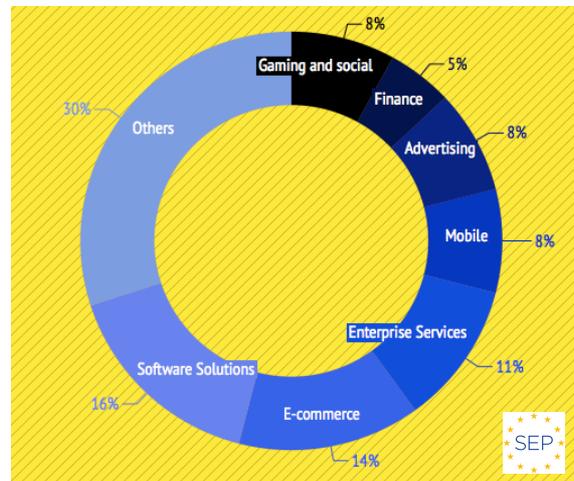


Source: SEP Monitor – November 2014  
\*Preliminary Data

## Software Solutions and E-commerce drive the scale-up of the UK's ICT startup ecosystem

- Software Solutions and E-commerce are the most relevant areas for UK ICT scaleups.
  - Software Solutions and E-commerce respectively account for 16% and 14% of all mapped scaleups.
  - The Enterprise Services sector accounts for about 11% of the companies, closely followed by the Mobile, Advertising and Gaming/social sector that all appeal equally to 8% of the identified scaleups.
  - The “fin-tech” segment attracts 5% of the identified companies.

Figure 4: UK's Scaleups by Category



Source: SEP Monitor – November 2014  
\*Preliminary Data

## More than 50 notable acquisitions were recently reported in the ICT sector. 60% of the acquisitions were completed by U.S. buyers, while more than 20% of the deals “stay home” in the UK.

- We identified 54 acquisitions in the period 2011-2014. For about 40% of the deals, terms remain undisclosed.
- SEP Monitor shows that almost 60% of acquisitions in UK have been accomplished by US buyers. 33% of the deals were completed by European companies out of which nearly 70% (13) were from the UK.
- The largest acquisitions with disclosed deal size in the last three-year period were [Autonomy](#) (2011), [NaturalMotion](#) (2014) and [DeepMind](#) (2014).
  - Autonomy, acquired in 2011 by American [Hewlett-Packard](#) for as much as \$10B, offers software that allows enterprises to provide insight and structure to electronic data, including unstructured information, such as text, email, web pages, voice, or video.
  - Headquartered in Oxford, game developer NaturalMotion, which raised \$11M in 2012, was bought by [Zynga](#) for \$527M.
  - Founded in 2011, the London-based secretive artificial intelligence company DeepMind was bought by [Google](#) for more than \$500M.

## About Startup Europe Partnership (SEP)

Established by the European Commission in January 2014, SEP is dedicated to transforming European startups into scaleups able to break the early-stage barriers to growth and development by linking them with global corporations in a pan-European entrepreneurial ecosystem. SEP's goal is to accelerate early-stage companies to become global players and real job creators. By participating in the SEP program, global companies can help this process via business partnerships and strategic and venture corporate investments, providing them with access to the best technologies and talents through procurement of services or products, corporate acquisition or "acqui-hiring".

Under the umbrella of the EU Startup Europe initiative, SEP is the first open platform dedicated to support the growth and sustainability of European startups able to compete and raise funds internationally. It is one of the six actions for web entrepreneurs defined in the Commission Communication, "Entrepreneurship 2020 Action Plan" (European Commission, January 2012), and conceived to realize recommendations included in the Startup Manifesto.

Promoted by the European Commission, SEP is led by [Mind the Bridge Foundation](#), a non-profit foundation based in Italy and United States, with the support of Nesta (the UK's innovation foundation), and The Factory campus for startups and mature tech companies in Berlin. Partners include Telefónica, Orange, BBVA (Founding), and Telecom Italia, Unipol Group and Microsoft (SEP Corporate Member), with the institutional support of the European Investment Fund/European Investment Bank Group, Cambridge University, IE Business School and Alexander von Humboldt Institute for Internet and Society. Startup Europe Partnership (SEP) is a Startup Europe initiative.

For more info:

<http://startupeuropepartnership.eu> | [@sep\\_eu](#)

## About SEP Monitor

SEP Monitor is published by Startup Europe Partnership (SEP) in collaboration with [PEDAL Consulting](#) and Ud'Anet. SEP Monitor is based on the SEP mapping and scouting database that focuses on scaleups. SEP categorizes high-tech companies as indicated below:

**Startup:** <\$0.5M/1M funding raised in the last three-year period or bootstrapped companies with revenue in this range.

**Scaleup:** \$0.5M/1M - \$100M funding raised in the last three-year period or bootstrapped companies with revenue in this range.

**Scaler:** >\$100M funding raised in the last three-year period or bootstrapped companies with revenue in this range.

For companies that exited via M&A, the valuation is the amount that the company got acquired for. For a company that went public, the exit valuation is that on the day of the IPO.

Sources of information include the SEP database, portfolios of VC companies, corporate venture units, business angels, accelerators and active seed and early stage funds, crowdfunding platforms, tech competitions, and other relevant channels.

Research is ongoing and results reported in the SEP Monitor are preliminary and cannot be considered as final. Startup Europe Partnership (SEP) welcomes everybody in the European startup ecosystem to contribute to the research by providing data and indicating cases of scaleup companies and exits to be monitored. *Contact:* [info@startupeuropepartnership.eu](mailto:info@startupeuropepartnership.eu).

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