

# UK CYBER RECEIVES POST-LOCKDOWN FUNDING BOOST – BUT INVESTMENT INTO EARLY-STAGE STARTUPS FALLS DRAMATICALLY

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- Overall cybersecurity startup funding since lockdown increased by 52% year-on-year, in contrast to the 10% decrease across all tech sectors
- However, investment is dominated by later stage firms, as companies raising capital for the first time fell by 96%

British cybersecurity startups raised £651m last year after the start of lockdown in March, but only £11.9m went to companies looking to raise investment for the first time, according to new research released today by Plexal and Beauhurst.

Post-lockdown investment into UK cybersecurity startups increased by 52% in 2020 compared to the same period in 2019, with general investor caution offset by the need for solutions to address the security challenges arising from the Covid-19 pandemic. However, while investors clearly saw the value in proven businesses capable of meeting these challenges, they remain hesitant to commit significant funding to those without existing backing.

Plexal, the innovation centre and workspace established by Delancey, and Beauhurst, the UK's leading database for fast-growth companies, analysed nearly 30,000 startups and fast-growth businesses (companies that have attracted equity or venture debt funding) to understand investment activity among the cybersecurity sector since UK lockdown began on 23 March 2020. Plexal also delivers LORCA (London Office for Rapid Cybersecurity Advancement), the DCMS-backed innovation programme that helps cyber startups to scale.

The research is designed to provide an accessible, factually driven window into the state of the UK's startup community and tech sectors. The Plexal Startup Tracker can be found here: [plexal.com/startup-tracker](https://plexal.com/startup-tracker).

Funding for cybersecurity startups grew by more than half after lockdown began in March 2020, compared with the same period in 2019. This is in strong contrast with broader startup funding, which fell by 10% year-on-year across all sectors. The total number of deals involving cybersecurity startups also increased by 33% year-on-year. In contrast, deal numbers across all sectors were 26% lower during lockdown compared to 2019.

Only 23 cybersecurity startups entered administration, liquidation or dissolution since 23 March 2020, compared with a total of 1,715 across all sectors – again highlighting the sector's resilience.



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### Storing up problems: funding for the few, not the many

Although the increased funding suggests that the average investment was larger in 2020 and that a wider range of companies received capital, funding was actually dominated by a few very large follow-on investments such as OneTrust (£224m), Snyk (£154m) and Privitar (£70m). This shows that despite the total funding boost, it is select scaleups with a proven track record that have prospered, rather than the broader UK cyber sector.

This trend has most keenly impacted the volume of capital invested in cybersecurity startups seeking funding for the first time, which drastically fell year-on-year. These early-stage firms only secured £11.9m (across 13 deals) since the beginning of lockdown in March 2020, compared to £265m (across 9 deals) in the same period in 2019 – a 96% decrease.

Saj Huq, Director of Innovation at Plexal, comments, *“While increased total funding demonstrates the relevance of cybersecurity and shows that the UK’s cyber industry has not been impacted to the same extent as others, the almost complete absence of backing for early-stage firms puts the sector’s future at risk. It is these companies that we will ultimately rely on to solve the inevitable new cyber challenges arising from a society that is increasingly digital-first.*

*“Covid-19 has accelerated digital transformation, increased the demand for digital services and reinforced the relevance of security as a crucial business enabler. More cybersecurity companies are receiving investment as a result, but the caution exercised by investors is preventing the UK’s cyber sector from becoming the key driver of the economic recovery that it should be. Investors, industry, academic institutions and government must come together to safeguard the future of our brightest, early-stage cyber startups or they could become a lost generation.”*

Henry Whorwood, Head of Research and Consultancy at Beauhurst, comments, *“The cybersecurity sector has retained a strong flow of investment compared to many others which have struggled throughout the Covid-19 pandemic. However, the small proportion of this funding that has gone to first-time raises indicates that investors are hedging their bets by committing far less per deal and focusing on later stage scale-ups. Despite the relevance of the sector, it looks like 2021 could be another challenging year for early-stage cyber companies.”*

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**Saj Huq**  
Director of Innovation  
Plexal





## Notes to Editors

Beauhurst's data analysis is based on investment activity collected by Companies House from Monday 23 March to Monday 28 December 2020.

### About Plexal

Plexal is an innovation centre and coworking space located in the fast-growing Here East technology and innovation campus in London's Queen Elizabeth Olympic Park. It was launched in 2017 and was founded by clients of specialist real estate investment advisory company Delancey.

Collaboration is at the heart of Plexal's approach to innovation. Its innovation team delivers bespoke programmes for clients like Innovate UK and Transport for London, and specialises in forging connections between industry, academia, investors, startups and scaleups to tackle some of the biggest challenges facing society while getting ideas market-ready.

Plexal has been appointed by the Department for Digital, Culture, Media & Sport to deliver the London Office for Rapid Cybersecurity Advancement (LORCA): an innovation programme aimed at scaling cybersecurity solutions that are needed most by industry.

It's delivered the OpenDoor inclusion accelerator and is working with partners like UCL and Disability Rights UK to support disabled entrepreneurs and make its workspace more accessible.

Startup and scaleup members of Plexal's workspace benefit from a comprehensive programme of events (both virtual and offline) and 1:1 support and advice. Plexal is home to over 700 members who work in areas like mobility, AI, healthtech, cybersecurity, fintech, the Internet of Things, VR and more.

**For more information visit: [plexal.com](https://plexal.com)**

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### About LORCA

LORCA is a cybersecurity ecosystem that connects startups, scaleups, academics, investors, platforms, government and industry from around the world.

Delivered by Plexal and backed by the Department for Digital, Culture, Media & Sport, LORCA accelerates the growth of the most innovative cyber companies to solve digital challenges faced by enterprises, the economy and society. Enterprise and platform partners of LORCA include Lloyds Banking Group, Dell Technologies, SOSA, Kx, Splunk and the Global Cyber Alliance.

Welcoming a new cohort of cyber scaleups into its accelerator programmes, LORCA acts as a landing pad into the UK market and a launchpad into global markets. It gives members everything they need to scale, from mentoring and trade delegations to connecting them with industry and VCs. They also benefit from engineering, commercial and technical support from delivery partners Deloitte and the Centre for Secure Information Technologies (CSIT) at Queen's University Belfast.

LORCA launched in June 2018 as part of the government's National Cyber Security Strategy. Since then, companies from five cohorts have raised over £167m in investment, generated over £28m in revenue and won more than 900 contracts. They are also on track to create 865 jobs by 2022.

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### About Beauhurst

Beauhurst collects, curates, and analyses data on the high-growth economy and its participants, from growing companies to investors and advisors.

We provide that data through a searchable online platform, used by thousands of professionals to deepen their understanding of the high-growth space.

We also work closely with clients in both the public and private sectors, providing insight to some of the UK's most respected institutions.

### Methodology

This report looks at the equity investment received by companies located in the United Kingdom:

- **Company stage:** Beauhurst categorises companies into seven stages of evolution (seed, venture, growth, established, zombie, exited, dead) using over 40 proprietary criteria, which vary based on the complexity of the intellectual property the company is developing. For example, Beauhurst uses different criteria to evaluate a pharmaceutical company than for a software company. No one criterion is enough to determine stage of evolution, so it takes a balanced view with each decision. Rarely, a company may skip a stage, going from seed to growth, depending on how it is doing.
- **Company sector:** Beauhurst tags companies with as many sectors from their proprietary sector matrix as appropriate, but does not order or prioritise the sectors attached to a company. The top-level sectors in the matrix are: agriculture, forestry and fishing; energy; leisure and entertainment; retail; technology/IP-based businesses; telecommunications service; tradespeople; transportation operators; built environment and infrastructure; business and professional services; craft industries; industrials; media; personal services; supply chain; and other.
- **Equity investment:** Beauhurst monitors thousands of sources to find announced equity investments, which is often the most timely declaration of a deal. More than 50% of deals, however, are not announced. To find these deals Beauhurst looks at SH01s (a share allotment form) filed at Companies House. It also uses these SH01s to calculate a company's pre- and post-money valuations.