

# TECH STARTUP DEATHS HIT RECORD LEVELS AS IMPACT OF GOVERNMENT SCHEMES WANES

14 OCTOBER 2020

- Over 1,000 of the UK's high-growth businesses have filed for administration, liquidation or dissolution since lockdown began
- September showed the highest volume of startups going into administration, liquidation or dissolution in 10 years
- Sharp rise in startup deaths highlights the fading preservative effect of government support schemes

Over 1,000 British tech startups have filed for administration, liquidation or dissolution since lockdown began, according to new research released today by Plexal and Beauhurst.

Following artificially low filings between April and August, September saw a record number of filings – the highest monthly figure in 10 years – as the true impact of COVID-19 starts to show. In fact, 273 fast-growth companies filed for administration, liquidation or dissolution in September, out of a total of 1,067 since the beginning of lockdown – a 181% month-on-month increase compared with August.

While government schemes such as CBILS, BBLs and the Future of Fund have provided valuable support to cash-strapped early stage companies struggling to survive the economic impact of the COVID-19 crisis, their preservative effect is starting to diminish.

The analysis highlights a telling rebound in company failures, due to the exposure of temporarily repressed issues caused by the pandemic, with current government measures insufficient to prop up startups for the duration of the COVID-19 crisis. It is concerning that this spike to record levels has occurred before the conclusion of the aforementioned support schemes; as they come to an end, the next two months could be crucial for the next generation of high-potential startups in the UK.



For further information, please contact:

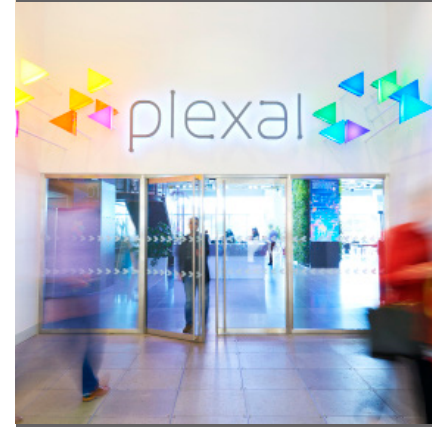
**Tom Chamberlain**  
 Seven Hills  
 Tel: +44 7854 461301  
 Tom.chamberlain@wearesevenhills.com

**Sophie Ingham Clark**  
 Communications Manager  
 Delancey  
 Tel: +44 (0)20 7448 1961  
 sophie.ingham-clark@delancey.com

Plexal, the innovation centre and workspace established by Delancey, and Beauhurst, the UK's leading database for fast-growth companies, have analysed nearly 30,000 startups and high potential companies (firms that have attracted equity or venture debt funding) to understand investment activity since UK lockdown began on 23 March. 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)

The increase in failures has been most keenly felt in two of the UK's major regions for startup growth. As many as 388 high-growth companies based in London have filed for administration, liquidation and dissolution since the start of April, with numbers increasing from 30 to 95 between August and September (a 217% rise). Meanwhile, 48 Scottish startups filed in September, almost half (49%) of the total filings since the start of April (97).

Since the UK was placed into lockdown in March, the UK's high-growth startups have raised £5.37bn in investment, now down by just 18% compared to the same period in 2019. However, only £458m of this was raised by startups raising investment for the first time, representing a 55% year-on-year decrease for first-time funding and highlighting the disparity between more mature companies and those at the earliest stages of development.



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please contact:

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**Sophie Ingham Clark**

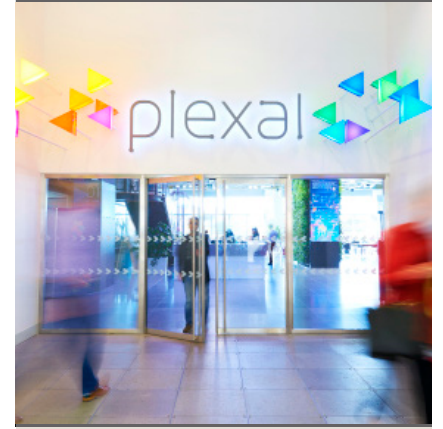
Communications Manager  
Delancey  
Tel: +44 (0)20 7448 1961  
[sophie.ingham-clark@delancey.com](mailto:sophie.ingham-clark@delancey.com)

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Andrew Roughan  
Managing Director  
Plexal

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Andrew Roughan, Managing Director of Plexal, comments: *“The government commendably offered a number of startups a lifeline at the peak of the crisis. But despite the slowly improving funding picture, we are now starting to see the pent-up effect of the pandemic on UK businesses – in particular early-stage startups. Government support has artificially kept companies afloat and delayed the true impact. We are only now starting to see more severe damage to UK startups that puts the survival of an entire generation of innovative companies at risk. Government initiatives alone are not sufficient to support startups most in need of funding and cashflow in the current economic climate. It’s these businesses that will provide the innovation and jobs that will drive the UK’s economic recovery, and they need our urgent support.”*

Henry Whorwood, Head of Research and Consultancy at Beauhurst, comments: *“We have never seen a month with so many startup deaths as we did in September. While the number of filings has naturally grown as the number of high-growth UK businesses increases, our data clearly shows a sustained reduction in these companies filing for administration, liquidation or dissolution as a result of the Government’s financial support schemes for small businesses. The sudden spike that follows, however, signals that their impact is waning. The coming months could be crucial for the future of the UK startup community.”*

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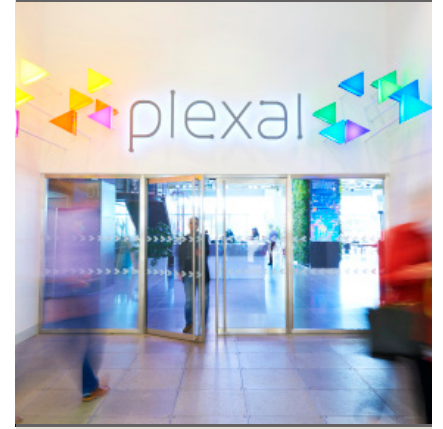
Communications Manager  
Delancey  
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Henry Whorwood  
Head of Research and  
Consultancy at Beauhurst



## Notes to Editors

Beauhurst data analysis based on investment activity collected by Companies House from Monday 23 March to Monday 12 October 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 ecosystem that accelerates the growth of UK cyber companies to solve digital challenges faced by enterprises, the economy and society.

Plexal has also delivered the OpenDoor inclusion accelerator and is working with partners like UCL and Disability Rights UK to optimise its workspace for accessibility and champion disability-led innovation.

Startup and scaleup members of Plexal's workspace benefit from a comprehensive programme of events and in-house professional services. Members 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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## Notes to Editors

### 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.

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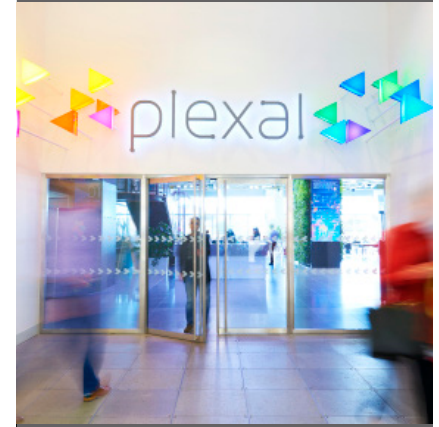
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### Methodology

**Data for the research was collected by Beauhurst and finalised on 12/10/20.**

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.



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