# UK start-ups consider relocating to US as investment drops



Investment in UK start-ups has plummeted to new lows post-pandemic, leading to many companies exploring the option of relocating their headquarters to the United States in search of capital. According to figures from the research company Dealroom, British start-ups raised only £16.2 billion in 2024, marking the lowest level since 2020. In stark contrast, US start-ups in Silicon Valley raised over £65 billion during the same period, reflecting a 71 per cent increase from 2023.

Several chief executives of UK start-ups have expressed to the Financial Times their intention to incorporate their businesses in the US, despite being based in London. Mati Staniszewski, co-founder of AI firm ElevenLabs, valued at $3.3 billion in January this year, commented, “Recognising that most venture funding comes from the US, we set up as a Delaware corporation — the preferred and familiar structure for US investors."

Currently, approximately 70 UK-founded, venture-backed tech start-ups have set their headquarters in the US, with nearly a fifth having made the move since 2020. This trend coincides with the UK government, led by Sir Keir Starmer, identifying the burgeoning AI sector as a potential catalyst for economic growth. Tech founders and investors have stated that the quality of British engineers and tech talent meets, if not exceeds, that of their American counterparts.

Fledgling companies have raised concerns about the challenges in securing funding, which they argue hampers their competitiveness against global peers. Notably, established British technology firms, including DeepMind and Arm, have previously been acquired by larger, international investors.

Barney Hussey-Yeo, whose AI start-up Cleo has raised $140 million since its inception in 2016, noted that he is contemplating moving away from the UK due to the growing allure of American investment opportunities. He stated that the attractiveness of relocating is “getting stronger and stronger every year,” citing a more favourable investment climate and the British government's recent increase in capital gains tax.

“I spend four months of the year in San Francisco,” Hussey-Yeo said, adding, “You get to a certain size where there is no capital in the UK — and the problem is getting worse.” He warned that without intervention, “the UK is kinda f**\*** if it doesn’t address [the problem].”

Alex Macdonald, who recently established his second start-up, Sequel, opted for Miami as its base while maintaining a UK subsidiary to facilitate future operations. Macdonald advised those starting a business to incorporate in the US for better access to capital while benefiting from UK talent. "The UK is a great place to start a business, but we need to see changes, such as encouraging pension funds to invest in venture capital, to encourage further start-up growth,” he said.

Historically, the UK’s pension industry has shown reluctance to invest in private markets compared to its foreign counterparts. A study by New Financial revealed that UK pension schemes allocated only 5 per cent of their assets to private equity, considerably lower than US schemes. Recently, UK pensions minister Torsten Bell indicated to the Financial Times that efforts are being made to persuade retirement funds to invest more in private markets as part of a wider strategy to enhance performance and consolidate £1.3 trillion of UK pension assets.

In light of these developments, two founders educated in the UK, Timon Gregg and Kylin Shaw, have opted to incorporate their companies in the United States, noting more favourable investor and customer perceptions. Gregg, who established his AI insurance company Strala in San Francisco last year, remarked, “US customers and investors are quicker and more willing to try things — the level of ambition is just different.” Shaw, who has similarly moved his health-tech venture, Hippos Exoskeleton, to the same city, echoed this sentiment, stating, “The mentality is different — people are willing to take risks.”

Research by Dealroom further illustrated that last year, 57 per cent of global venture capital was directed towards US start-ups; this marked the first time in a decade that the percentage exceeded 50. Conversely, UK start-ups received merely 4.8 per cent of global funding, reflecting an 11 per cent decrease over the same timeframe.

Antony Walker, deputy chief executive at TechUK, warned that the UK faces the risk of losing its most promising companies to foreign markets unless efforts are made to rectify the widening “investment gap” with the US. He highlighted the potential consequences of inaction, stating, “Without action, many high-potential SMEs will consider relocating overseas, costing the UK jobs, tax revenue, and economic growth.”

Dom Hallas, founder of the StartUp Coalition, commented on the UK’s situation, stating that it has become a victim of its own “partial success.” “We’ve built a tech ecosystem that is worth it for American and other international investors to scour for founders,” he said, emphasising the need for a concrete plan to encourage start-ups to remain in the UK.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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2. <https://www.vestd.com/blog/the-global-investment-report-2024> - The Global Investment Report 2024 highlights the UK's startup ecosystem value and growth but also notes a decline in early-stage funding, aligning with the challenges faced by UK start-ups.
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