**EMBARGOED UNTIL TUESDAY 16 MARCH 2021**

**Venture capital firms back UK as global CreaTech hub with nearly £1bn of funding**

* UK CreaTech attracted twice as much investment in 2020 as next biggest European market
* VC funding in UK CreaTech businesses grew 22% last year despite the pandemic and has almost doubled since 2017
* 188 investment deals spread across UK regions with highest average deal size in South West

 Venture capitalists invested a record £981.8m in 2020 into UK CreaTech businesses that bring together creative skills with technologies such as artificial intelligence to produce new services and revenue streams.

The level of funding - up from £803m in 2019 - highlights the UK’s position as European leader in CreaTech venture capital (VC) investment and the third biggest destination worldwide, after the USA and China.

CreaTech accounted for a higher share of all VC tech investment in the UK (9%) last year than in the USA or China (both just over 6%).

The figures are from **The CreaTech Report 2021**, commissioned from Tech Nation by the Creative Industries Council (CIC), in association with Digital Catapult and Moore Kingston Smith, to increase understanding of the fast-growing CreaTech space.

The resilience of venture capital firms’ confidence in CreaTech in the second half of 2020 follows a pause in deal making during the UK’s spring lockdown.

It provides context for the government's view that CreaTech is vital to the long-term growth prospects of the creative industries, which are seen as key contributors to the UK economy, culture and society.

The CIC, the joint forum of industry and UK government, has supported CreaTech throughout its development as it highlights creative industries' ability to find innovative ways to engage audiences and generate business investment and jobs.

Lesser known than FinTech or EdTech, CreaTech is defined as the intersection of creative and tech industries where innovations in artificial intelligence, algorithms, virtual reality, specialised software and other areas are transforming creative services, outputs, and processes. The term encompasses both the transformation of the creative industries by technology, and the co-creation of tech products and services.

In 2020, the UK received twice as much CreaTech VC investment as the next biggest European market, France (£487m), and three times more than Germany (£266m). Globally, the biggest destinations for CreaTech VC investment last year were the USA (£6.56bn) and China (£1.94bn).

VC investment in UK CreaTech has almost doubled from the £498m reported in 2017, as venture capital firms have increasingly seen the commercial potential of CreaTech innovations.

In 2020, companies in the South West had the biggest median average deal size (£1.65m), followed by Scotland with £1.37m and London (£1.21m).

The relatively small deal sizes reflect venture capitalists’ attraction to funding early stage companies in different parts of the UK with strong future growth prospects.

CreaTech VC investment represented around 25% of the VC investment made into UK FinTech in 2020, showing its importance as an emerging tech force in the UK.

The single biggest investment covered by the report was the £95m fundraising for Moonbug, a London-headquartered company that has grown by providing children’s content on digital platforms such as YouTube and streaming services.

In total, CreaTech companies in London received £486m in VC investment, up 38 per cent from £352mn in 2019.

UK CreaTech has already produced tech unicorns – privately-listed businesses each valued at more than $1bn – including Improbable, a virtual simulation company.

The new report is the first stage of research that will look in greater depth at CreaTech’s impact on UK jobs and skills.

CreaTech will also be in the spotlight this month as part of a dedicated session at the SXSW Online Festival on March 18th and at a Parliamentary Webinar, hosted by the CIC also on March 18th.

Welcoming the report, Tim Davie, BBC Director General and Industry Co-Chair of the CIC, said: *“As the government has recognised in its Plan for Growth, the creative industries are a major success story for the UK and a critical driver of innovation and growth. CreaTech raised almost £1bn of new investment*

*during a global pandemic and economic downturn, which shows investors also recognise the potential of UK creative businesses.*

*“The UK’s creativity and innovation will play a critical role post-pandemic in boosting recovery and attracting investment all around the UK. With the right support, the UK has an opportunity to continue to be a world leader in the fast-growing CreaTech space.”*

Culture Minister Caroline Dinenage said: "*The creative industries make a huge contribution to our country, both culturally and economically, constantly finding new ways to engage audiences, create jobs, and generate investment.*

*"We will continue to work hard to encourage and enable the growth of CreaTech. As almost £1 billion in investment clearly demonstrates, CreaTech will play a vital role as the UK builds back better from the challenges of the Covid-19 pandemic*."

Dr George Windsor, Head of Insights at Tech Nation, the growth platform for tech companies and leaders, said: “*CreaTech has undoubtedly stood out as an emerging area of activity to watch over 2020, with VC investment of just under £1bn helping the UK lead in Europe, and punch above its weight in the global tech rankings.*

*“We have seen world leading companies started and scaled in the UK, including global media company, Moonbug, and AI powered smart glasses provider, Oxsight - as well as a slew of fast growing CreaTech firms right across the UK. Looking to 2021, I’m excited to see the growth that these companies will bring to the UK, and the new forms of creativity that will be unleashed through cutting edge technology.”*

Dr Jeremy Silver, CEO of Digital Catapult, the leading authority on advanced digital technologies, and Chair of the CIC R&D and Innovation working group, said: “*Prior to the pandemic, employment in UK creative industries grew by 20% over five years and arts and culture was the fastest growing sector of the economy. Today's report illustrates the potential of new advanced technologies for UK creative businesses in exciting emerging areas such as virtual production or personalised content and the necessity of using tech to drive a strong recovery, future growth, and new high value jobs*."

Esther Carder, Partner at Moore Kingston Smith West End, the accountancy firm, said: “*We are excited to be working so closely with CreaTech businesses and entrepreneurs – this is a group that demonstrates the UK’s strength as a nation of innovators and trailblazers. Those CreaTech businesses that we see are all singularly energised and poised to do great things on a global level. We look forward to seeing CreaTech expand and are committed to supporting these businesses play to their strengths*.”

The CreaTech 2021 report is available from:

<https://technation.io/the-createch-report-2021/>

More about the free CIC Parliamentary Webinar on March 18th at <https://www.politicshome.com/events/view/why-are-the-creative-industries-vital-to-the-economic-recovery>

To attend the CreaTech session presented by the Department for International Trade at 5.30pm (UK time) on March 18th at SXSW Online Festival (March 16-20th), buy a Festival ticket at <https://online.sxsw.com/event/sxsw-online>

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**Notes to Editors**

**About the CreaTech 2021** **report**

Tech Nation, the growth platform for tech companies and leaders, was commissioned to provide a two-part research project into CreaTech by the Creative Industries Council (CIC), the forum of UK industry and government, in association with CIC partners, Digital Catapult, the leading authority on advanced digital technologies, and Moore Kingston Smith, the accountancy group.

The first stage is a report that looks at levels of investment in UK CreaTech companies through an industrial lens - where companies are described as operating in both the creative and tech industries. The second stage will look at CreaTech’s impact on employment and skills.

The primary sources for the data analysed in The CreaTech 2021 report were the information providers, Beauhurst and Pitchbook.

Beauhurst is an intuitive data platform that collects key details on 30,000 UK companies, and has information on high growth

businesses ranging from those using venture capital to crowd-funded companies. To research Beauhurst to access information on CreaTech companies, relevant search terms were used, including 3D printing, Augmented reality, E-sports, Fast fashion,

Gamification, Immersive and promenade theatre, and virtual reality.

Pitchbook is a data and financial software company that provides filtered and validated data from multiple sources, including news articles, regulatory findings, press releases, and websites. The relevant terms used when interrogating Pitchbook included Creative, Design, Music, Museum, Fast fashion, Movies, Music and Entertainment, Augmented Reality, e-sports, Marketing Tech, Architectural, Virtual Reality, Adtech, Gaming and Media (Consumer Products and Services).

See full report for more on methodology.

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