



**Angel  
Investment**  
Network

# **EMERGING FROM THE PANDEMIC: STARTUP SENTIMENT IN THE USA AND UK**

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**2021**

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# EXEC SUMMARY

Angel Investment Network, the world's largest angel investment platform, surveyed the views of startups in the USA and UK to see how they have responded more than a year and a half after the pandemic first hit. This involved interviews with 1,205 startups in the USA and 667 in the UK.

## 1) Confidence returning

Similar numbers in both territories are now positive about the next 12 months. In the USA 76% of respondents are now confident about the next year, with 72% confident in the UK. However more US startups are very optimistic about the future, 52% against 42% in the UK. This could of course be down to a naturally more upbeat mindset but the research also reveals some particular challenges in the UK – for example the impact of Brexit. Meanwhile 70% of respondents in the USA are confident about the country retaining its status as a 'startup hub', versus 65% in the UK.

## 2) Networking top way of mitigating stalled investment

62% of US startups have seen growth negatively impacted with 59% in the UK negatively impacted. The research also reveals the similar approach to mitigating the impact of stalled investment. The top strategy adopted in both countries was focusing more on networking. Other strategies adopted included delaying marketing, holding off launch plans and hires and bootstrapping.

## 3) Raising investment is biggest challenge going forward

Raising investment remains the biggest challenge going forward and there is a firm belief in both countries that government has a key role in making the conditions more favourable through tax relief. There are of course differences in how this might be carried out. US startups particularly favour more generous tax relief to encourage startup funding. Meanwhile UK startups believed an extension to the Government's 'Future Fund' would be the best solution – offering matched funding for viable businesses.

# MESSAGE FROM OUR FOUNDER

Angel Investment Network (AIN) is an online platform connecting startups with a global network of angel investors. With 40 networks extending to 90 different countries and more than 1.4m users, it is the largest angel investment community in the world. Angel Investment Network has helped tens of thousands of businesses worldwide with investments ranging from £10,000 to £1m, including What3Words, Rosa's Thai and Sweatcoin. Our mission remains to help as many entrepreneurs as possible connect with great investors and realise their ambitions.

This research project carried out looked at how startups were feeling about the future and the measures they had taken a year and a half after the pandemic first hit. We were interested in the views of startups in two of our major territories, the USA and UK. We are encouraged by the findings and we are now seeing record activity on our platform with startups and investors making up for lost time and making the right connections to power future investment.

**Mike Lebus,  
Co-Founder,  
Angel  
Investment  
Network**

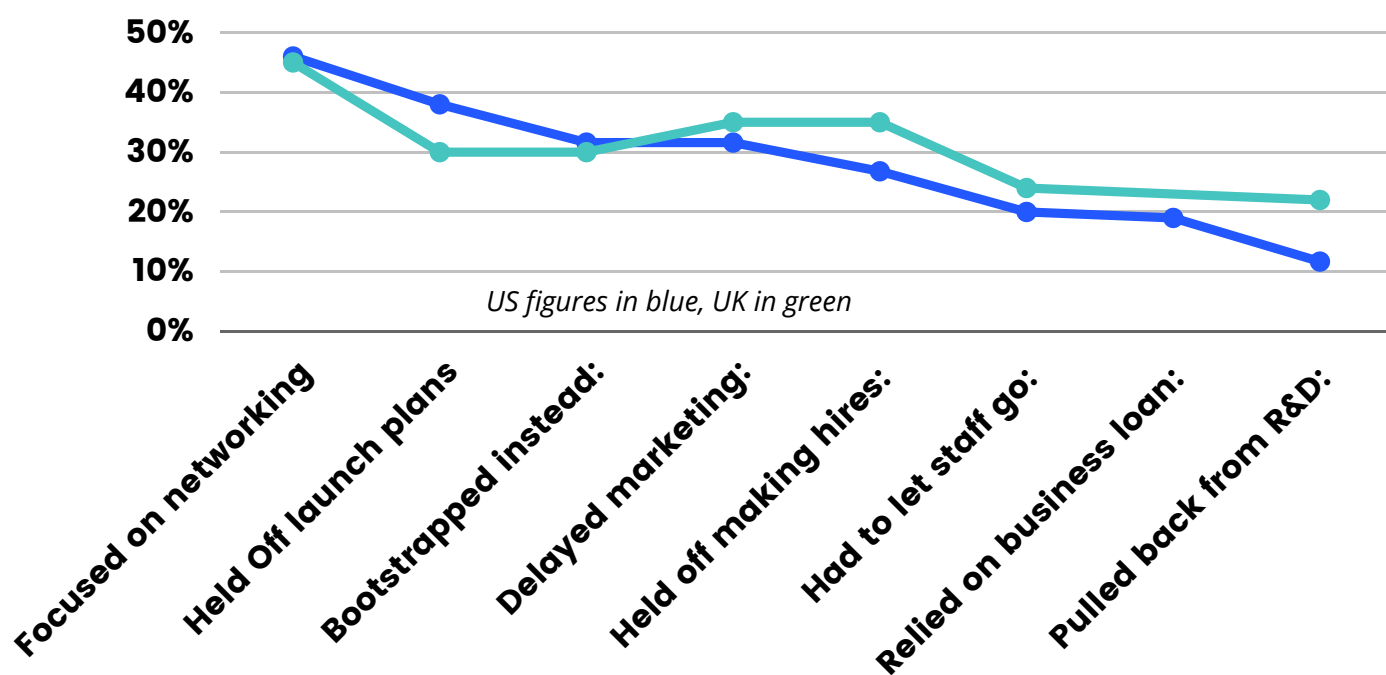


## The pandemic, impact and responses

The necessity of lock downs in the face of the first wave of the pandemic had dramatic economic implications. Fundraising for early stage startups dramatically and suddenly gummed up both in the US and UK. In fact of those who had been raising pre-pandemic close to 1 in 2 saw investors pull out. Without access to capital (and pre-revenue in many cases) this represented a huge challenge and existential threat for many early stage businesses. With consumer activity in many spheres dampened, business growth was hugely negatively impacted by COVID in both countries. Nearly two thirds saw growth negatively hit.

In the face of these challenges startups have needed to adapt and demonstrate their flexibility. Focusing on networking and building the pipeline was the top strategy deployed in both countries, 46% in the US and 45% in the UK. However In the USA entrepreneurs have been more willing to hold back from launch plans (38%) compared to 30% in the UK. Meanwhile more than twice as many UK entrepreneurs are likely to have cut back on R+D, 22% versus versus 11.7% in the US. The USA still has a better record for product development and the results here perhaps help to underscore this. UK entrepreneurs were also more likely to mitigate by holding off making new hires (35%) against 26% in the US and were slightly more likely to let staff go (24% to 20%).

**How did you respond to stalled investment?**



## Looking ahead, perceptions and challenges

The natural optimism of entrepreneurs is a defining trait, but even the most optimistic's mindset will have been challenged during this period. It is therefore encouraging to see around three quarters of UK and US startups now confident about the next twelve months. Emerging from the pandemic they are seeing fresh paths to new growth and investment opportunities. This is underpinning a strong economic recovery in both territories. Stateside the numbers saying they were 'very optimistic' is higher, 52% against 42%. Clearly there have been some particular challenges in the UK market, for example the new arrangements with the EU bedding in post-Brexit and some particular supply chain challenges.

After stalled investment journeys over the pandemic, it is little wonder that raising investment was identified as the biggest challenge going forward, highlighted by 85% of startups. Product development is the second biggest challenge for UK startups - a higher percentage raising this as an issue than in the US (27% versus 22%). For US startups hiring the right talent was listed as an equally pressing concern. Meanwhile Covid remains somewhat of a concern, albeit a diminishing force. This was flagged as an issue by 19% of UK start ups and 13% in the US.

Looking to the future

# 52%

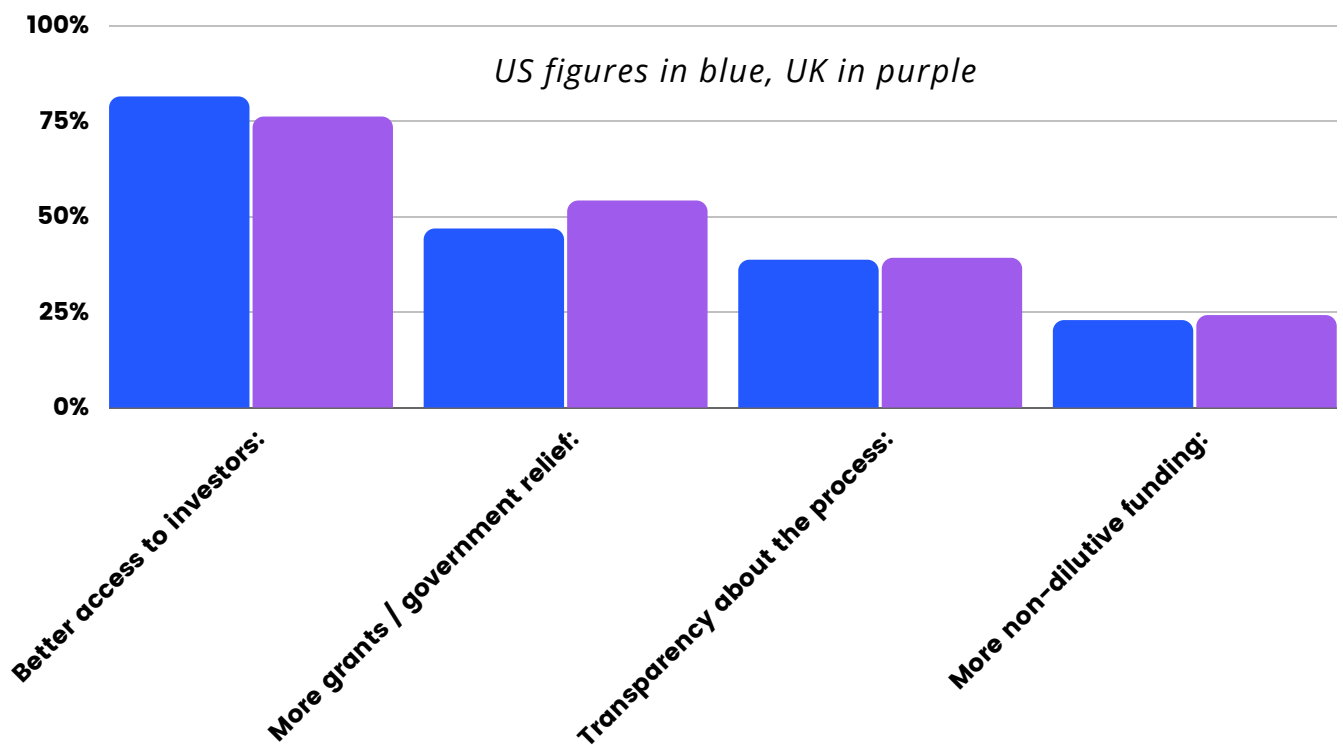
**OF US STARTUPS VERY CONFIDENT ABOUT NEXT 12 MONTHS**

# The fundraising process

Finally the report looked at the fundraising process as a whole. The top way the fundraise process can be improved is by providing better access to investors. This was the message from startup founders in both countries. Second on the list in both countries would be more grants or relief from Government. More UK startups than US startups favoured this, 54% versus 47%. Fundraising could also be improved with more information and transparency about what is viewed as an often murky process. The report also looked at the biggest bugbears for startup founders. Number one in both countries was investors demanding too much of a stake in the business. Time consuming due diligence was also a pressing concern as were very slow rejections.

Additionally, more than 40% of startups in both countries felt they didn't have a good understanding of the fundraising process, indicating more work needs to be done to improve education in both countries.

## How could fundraising be improved?



## Summary

The startups who have survived this strange period have in many ways been battle tested and hardened by the experience. By bootstrapping their businesses further than they'd originally planned, they have needed to focus on survival and sustainability, emerging stronger. They have also used the time wisely to look at developing a pipeline of connections and relationships with investors even though this has often had to be remote. Angel Investment Network is now seeing a record amount of activity on the platform, highlighting the huge pent up demand that is now being realised.

Challenges remain as we look to the medium term and there should be no backsliding from Government tax relief schemes that can have a game changing impact on the ability of startups to raise funds.

Also, as we look forward it is also evident there needs to be a better education process for startups about the sometimes murky world of investment. This also needs to cut both ways and investors themselves should be mindful of some of their practices that can impact a nascent startup's ability to grow. Of course, they are always going to be focused on the stake in the business they have, but ghosting or even being very slow with rejections causes needless anxiety. Better education on all sides can help to improve the startup ecosystem for the benefit of all. Startups in the US and UK can be the engine room of economic recovery in both countries – nurturing their growth is vital.

Angel Investment Network  
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