

NI TECH STARTUP SECTOR

NI Start-ups
and Scale-ups,
**IMMEDIATE
CHALLENGES**

COVID-19



SUMMARY

Northern Ireland has worked incredibly hard and invested hundreds of millions of pounds in developing a buoyant tech startup sector. In 2019, Catalyst helped over 900 startups and entrepreneurs engage in our support programmes, compared with 35 startups in 2008. Many of our tech startups are now scaling and on the verge of significant market growth and employee growth. These companies are Northern Ireland's next Radox, Norbrook or Kainos, companies that are future-proofed against Brexit and capable of significant growth.

Due to the acceleration of the Covid-19 crisis, Catalyst undertook quantitative and qualitative analysis between 18-20th March 2020, of over 75 tech start-up companies representing approximately 500 employees and found that a number of high-potential startup companies are weeks away from running out of cash due to investor retreat or delayed sales. We have also analysed the support announced by the UK Chancellor, NI Executive and other public organisations and conclude that NI tech startups may not be eligible for those supports.

If the Northern Ireland Government takes the right action now, with speed, our start-ups can weather this unprecedented event and emerge into the post-virus world ready to boost the opportunities of Northern Ireland in a very significant way - our tech start-ups will be positioned to take full advantage of the reboot.

This will require government and support agencies to act quickly and repurpose existing support programmes to be able to provide funding to companies with cash flowing by the end of next week, Friday, 27th March. Failing to provide the right support now will put Northern Ireland back 5-10 years.

RECOMMENDATIONS FOR IMMEDIATE INTERVENTION

1.

Provide a one stop 'hotline' to support companies accessing government backed funding, loans, grants, etc.

3.

Unlock grant applications already in the process and repurpose R&D grants so that money starts to flow immediately.

2.

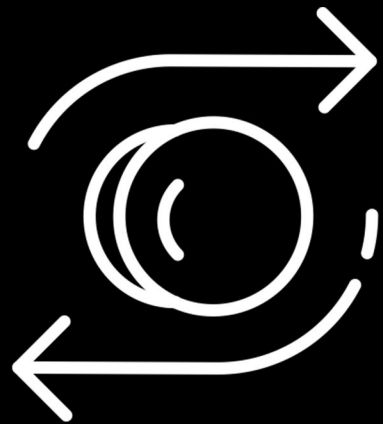
£5-10 million of grant aid must be provided to tech start up companies (pre and post-revenue) over March and April with 25 companies receiving support in the next 2 weeks and 25 in 2-4 weeks with the rest following. This does not need to be a new fund, this liquidity could be provided via existing Invest NI programmes.

HELP OUR START-UPS SURVIVE

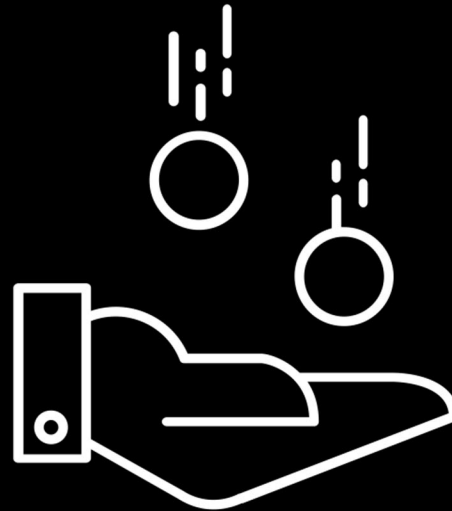
Catalyst is now sharing these findings with partners in government and will coordinate all actions and supports going forward. We believe that this is a time to get behind government and help the overall effort.

Catalyst is pivoting all of our ecosystem support programmes online now, adapting our programmes and mobilising our extensive mentor networks to be able to provide critical advice to startups to get through this period, all based on the feedback received.

IMPACT



SHORT-TERM
CASHFLOW
60% of respondents



MEDIUM-TERM
FUNDING
28% of respondents



STAFFING
IMPACT
23% of respondents

CASHFLOW

Medium term sales pipelines have been decimated, Sales expected to close within 4 weeks have been postponed.

Uncertainty and lack of information regarding alternative short-term funding options, such as government loans, grants and other tax holidays.

Infrastructure costs continue regardless of utilisation, both digital and physical.

FUNDING

Investment rounds not completed are being put on hold or abandoned.

Uncertainty is affecting current investor's appetite to agreeing short term financial support.

Uncertainty of local and regional support is also concerning FDIs – “do we really need this presence?”.

STAFFING IMPACT

Laying off revenue generating staff.

Succession and contingency planning are difficult.

New planned hires and job offers stopped.

Staff unable to travel and return from travel affecting revenue generation activities.

Mental health worries emerging from stress and lack of control.

Childcare issues affecting productivity.

POTENTIAL SOLUTIONS

1.

Release grants (already agreed earlier and in chunkier amounts)
Encourage “Invest NI money” to be more readily released through its channels: Clarendon, Techstart, Whiterock (this also has the additional advantage of encouraging 3rd party investors to invest alongside).

2.

Support early release of Innovate UK and H2020 funding to client companies.

3.

Communicate clearly and concisely regarding all loan, grant, tax holiday and funding options, together with points of contact and timescales.

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5.

Have client executives, equipped to deliver a coherent message, communicate with clients as a matter of urgency.

6.

Short term employee salary support.

7.

Accelerate payment of current claims with Invest NI (subsidies, grants, training, etc.)

8.

Short term relaxation of KPIS within Letters of Offer.

9.

Provide a single point of contact for all things cashflow related.

10.

Elevate the importance (to Government) of the early stage tech industry to Northern Ireland, noting that most currently announced measures do not appear to benefit the smaller and earlier stage innovation companies at all.

MENTAL HEALTH

Nearly ½ of the respondents cited stress and concerns for themselves, family and staff as negatively affecting their wellbeing. Much of this down to both the lack of and varying accuracy of ‘factual’ information.

WHAT OUR COMMUNITY SAYS

*“We’ll be **out of business by June** if no additional money put in”,
will be dead in 45 days without cash in”*

*“We need **clear and concise information** on the rates issue”*

*“How can our government **replicate what is happening in
other countries**”*

*“I have a **major funding round planned for September**, how will
VCs [prioritise] new investment vs supporting [current]
portfolio”*

*“**Understanding Invest NI funding** in the current situation”*

*“**Need clear, concise communication** regarding support
available from Invest NI”*

*“Typical orders [have] **pushed out by 3 months**”*

*“I’ve stripped out costs and agreed **wage reductions** to
avoid redundancies”*

*“**Need more advice** on where to get short-term funds”*

*“[Release] claims in with Invest NI, [to] take a bit of
pressure off”*

*“The effect on a series A round planned for Sept is
worrying”*

*“Starting to **shorten working week** rather than
redundancy approach”*

*“[I’m] going to **stop paying myself** a salary”*

*“Rent and staff are biggest costs and clients are putting
projects on hold”*

*“I had two sales positions but have **shelved** these”*

*“Access to information on support in a **clear and
concise** manner with a **simple breakdown** of how
exactly it can be accessed and the steps required to do
that would be very useful”*