

C|B|I | Economics

The UK and regional economic contributions of decacorns

Research Findings

June 2023



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Introduction



Project scope & objectives

Research objectives:

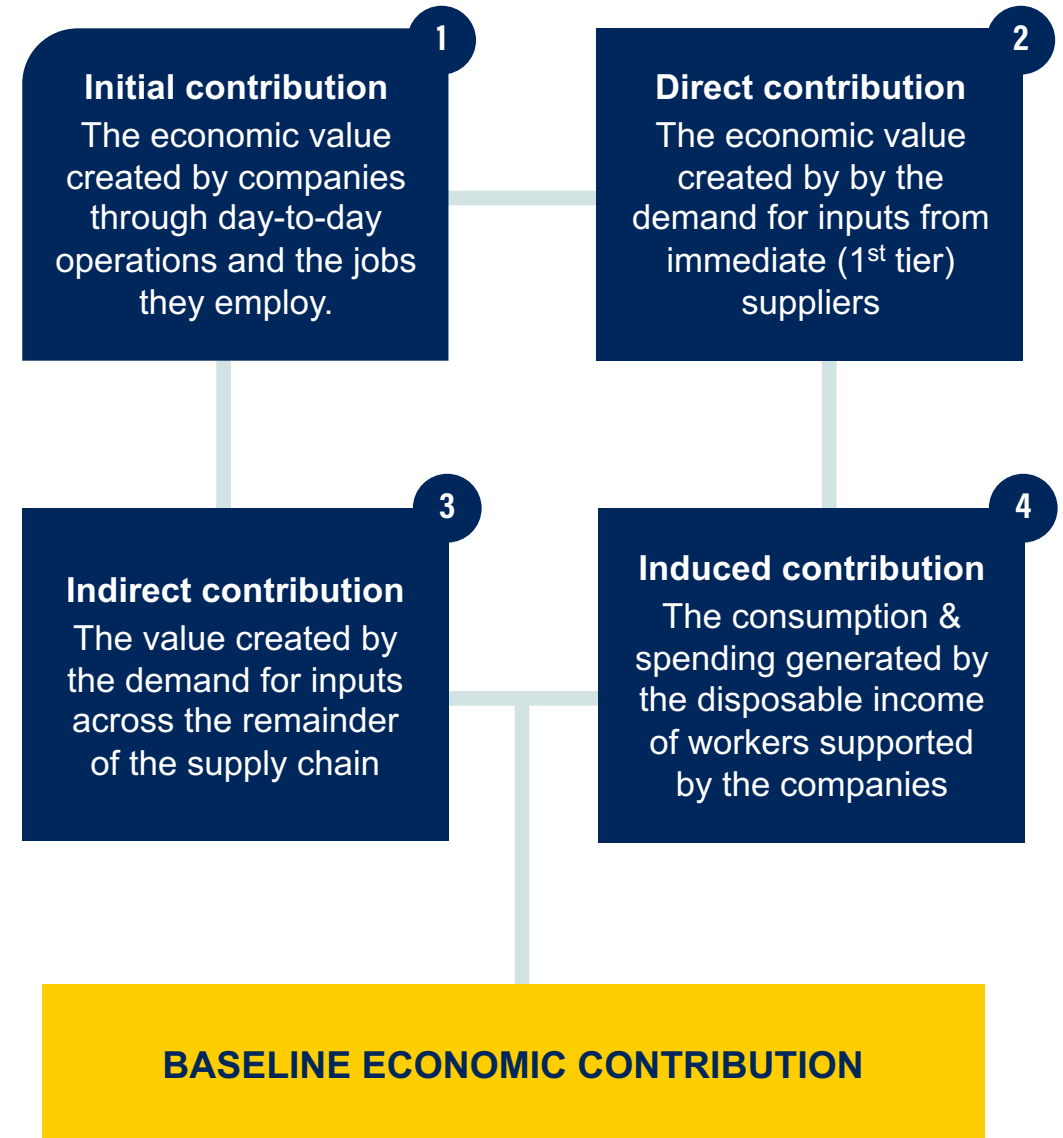
CBI Economics were tasked with demonstrating what the UK economy stands to gain from unlocking growth in its largest and fastest growing firms, with a focus on decacorns as a key segment of the UK industry which have demonstrated success even in the face of recent economic challenges.

As part of this, CBI Economics worked to:

- Quantify the economic and fiscal contributions of the UK's current population of decacorns, as well as that of UK unicorns and 'soonicorn'
- Quantify the 'size of the prize' from supporting existing unicorns to become decacorns and, as a result, increasing the population of decacorns.

We used a 'bottom-up' modelling approach, gathering subsidiary-level financial and employment data for each company, mapping companies onto industries and regions, and using CBI Economics' proprietary in-house economic model to quantify contributions across the UK economy.

This has enabled us to quantify the **baseline economic contributions** across four key areas, as shown below, and – from this – to estimate **the impact of growth in the population of decacorns**.



Key takeaways

£4.6 billion GVA*

- Contributed in 2021 by the UK's decacorns, rising to £11.2 billion (or 0.6% of UK GVA) once their wider economy contributions are included
- A further £28.8 billion in value is created by the UK's 87 unicorns and £10.3 billion by the 158 soonicorns
- Together, this represented **2.6% of the UK economy**
- If the population of decacorns grew to 50, this would add £52 billion to UK GVA, taking its contribution to 2.7% of the UK economy. Growing it to 100 would add £178 billion (equivalent to **9.2% of current UK GVA**)



107,000 FTE jobs**

- Were employed by the UK's existing decacorns and their suppliers in 2021 (0.4% of UK employment)
- A further 313,250 jobs were contributed by the UK's unicorns and 134,800 jobs by the soonicorns
- Together, they contributed **2.1% of total UK employment in 2021**
- The employment contribution of decacorns would further grow to 600,000 FTE jobs (or 2.3% of total UK employment) if the population of decacorns grew to 50, or to **1.9 million FTE jobs (7.3% of UK employment)** if it grew to 100.



£1.2 billion tax revenues

- Brought to the Exchequer by the UK's decacorns in 2021
- £2.7 billion of additional tax revenues were contributed by the population of unicorns; and £0.9 billion by soonicorns
- Together, they contributed **0.5% to total UK public finances in 2021**
- Growing the population of decacorns to 50 would bring an additional £4.5 billion (0.5%) in tax revenues to the Exchequer, while growing it to 100 would add a further **£12.1 billion (or 1.4%) to UK public finances**

*GVA (Gross Value Added) measures the income generated by a given company or industry, which can be re-spent or re-invested throughout the economy, creating additional value.

** FTE (Full-Time Equivalent) jobs convert full time and part time jobs into a single unit; one FTE job is assumed to work 37 hours per week on average

Glossary of key terms

Decacorn – standalone company (active and not acquired) headquartered in the UK and founded after 1990, with a value of >\$10bn at latest funding round in the case of private companies, or with a market cap of >\$10bn within last 2 years AND a current market cap of >\$5bn (to account for market fluctuations) in the case of public companies

Unicorn – same as Decacorn, except that the current company's valuation is >\$1bn (for both private or public companies)

Soonicorn – same as Decacorn, except that the current company's valuation is >\$500m (for both private or public companies)

GVA (Gross Value Added) – the income generated by a given company or industry, which can be re-spent or re-invested throughout the economy, creating additional value. It is the sum of gross operating profits, wages and salaries, self-employment income and taxes (less subsidies) on production

FTE (Full Time Equivalent) employees – an FTE job is assumed to work 37 hours per week on average; a part-time job is roughly 0.5 an FTE job

Initial contributions – the GVA and employment contributions made by companies or industries through their day-to-day activities

Direct contributions – the GVA and employment supported by the demand for inputs (such as utilities, raw materials or transportation) from immediate suppliers, i.e.: businesses that a company procures from

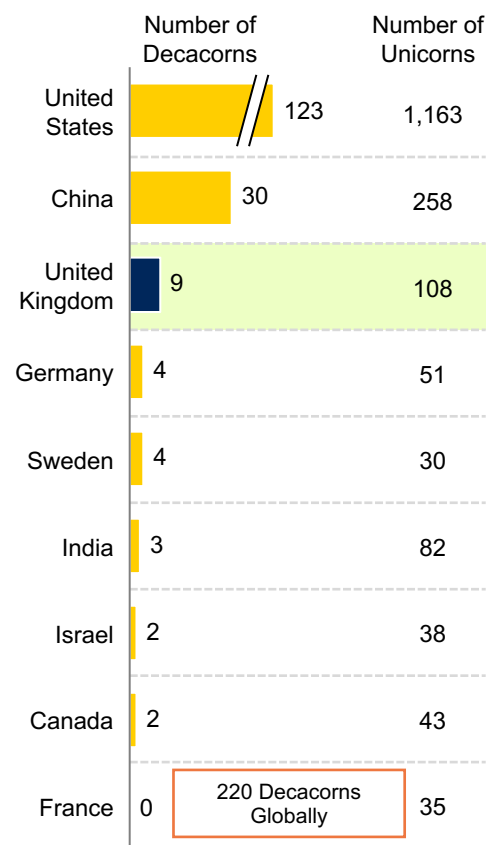
Indirect contributions – the GVA and employment contributions supported by the demand from immediate suppliers for other goods or services required in their own production, i.e.: the rest of the supply chain

Induced contributions – the GVA and employment supported by the demand from employees of the initial company or its supply chain (i.e.: employees spend a proportion of their wages on goods and services; this supports activity which engages in the production of those goods and services)

The UK decacorn and unicorn landscape

Decacorns and unicorns are at the fore of innovation and economic progress, driving productivity, solving societal challenges and creating high-value economic opportunities. While only a small proportion of the business population, they have the potential to drive substantial benefits for the UK economy.

Overview of decacorns and unicorns¹



Source: Dealroom, OC&C analysis (2023)



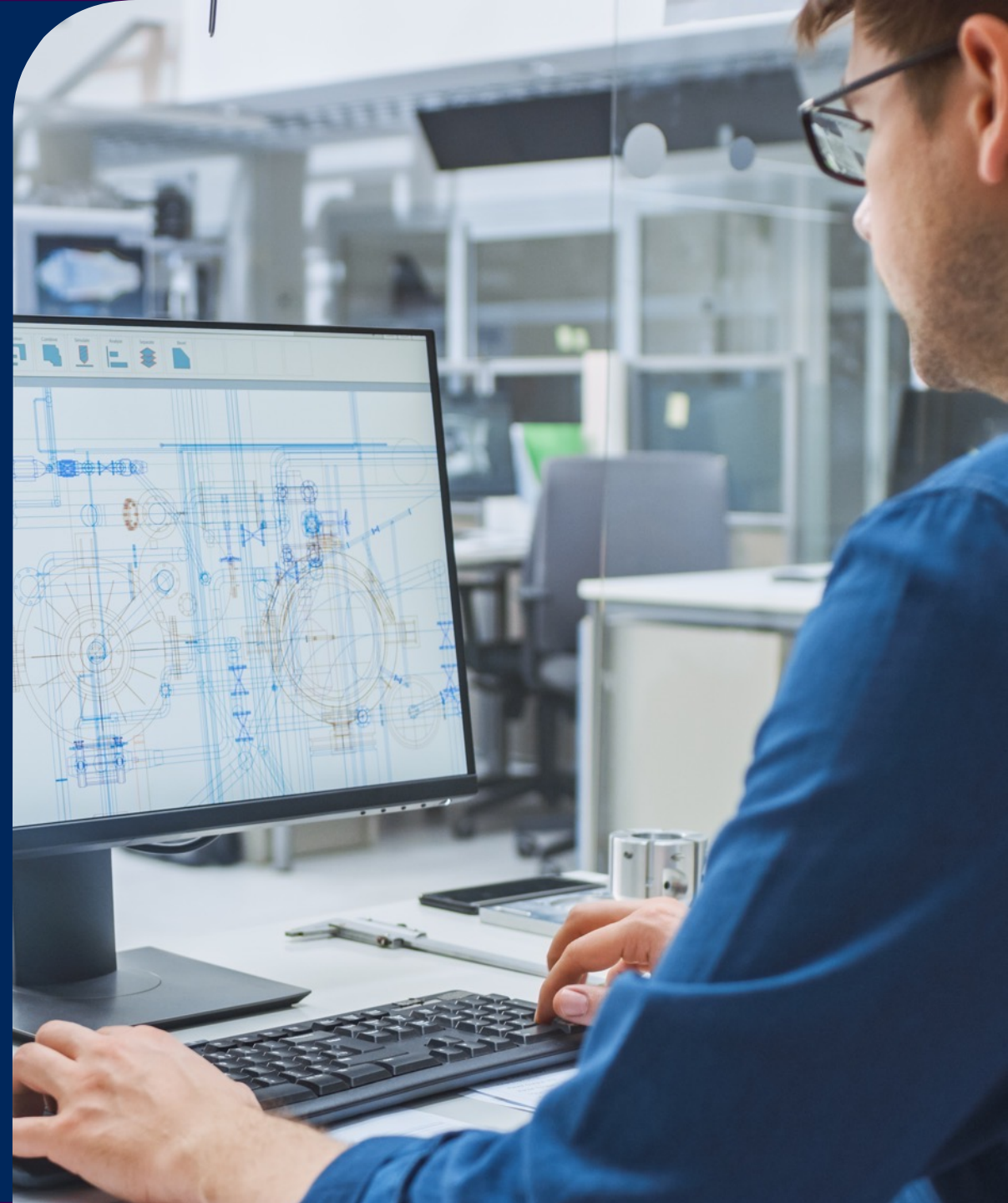
The UK is home to **nine UK-born decacorns**, or 4% of the global population of decacorns. It is also home to a burgeoning community of fast-growing unicorns (just over 100) and 173 soonicorns, all of which are important contributors to UK growth and innovation.

Our analysis identified over 2,800 decacorn, unicorn and soonicorn UK subsidiaries, which collectively employed **225,650 Full-Time Equivalent (FTE) employees** in 2022 – nearly 1% of total UK employment.

CBI Economics modelling shows just how significant the benefits could be should the UK foster growth in its population of decacorns.

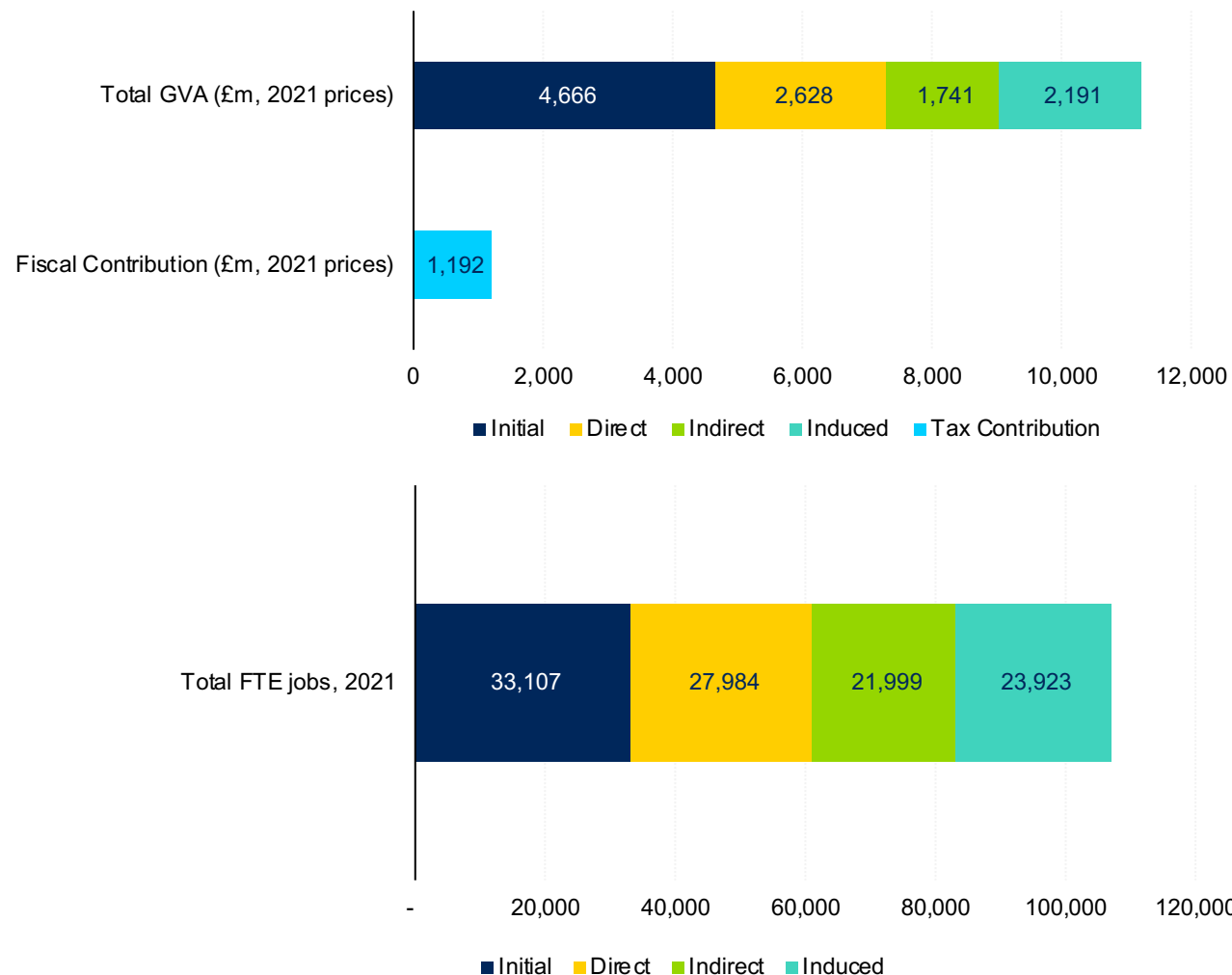
1. All companies must have HQ located in the UK, founded after 1990, and must still be active today and have not been acquired by a third party. Decacorns are private companies valued >\$10bn at latest funding round OR public companies with a market cap of >\$10bn within last 2 years AND a current market cap of >\$5bn (to account for market fluctuations). Unicorns have a current public or private valuation >\$1bn and soonicorns have a current public or private valuation >\$500m

The economic & fiscal contributions of decacorns in the UK



Overview of the UK economic & fiscal contributions

Summary of total UK economic contributions of Decacorns in 2021



Source: CBI Economics analysis (2023)

Decacorns (HQ & subsidiaries) directly contributed **£4.6 billion in Gross Value Added (GVA)** to the UK economy in 2021 through their activities. This activity represents **0.2%** of the UK economy.

These companies collectively employed **33,100 Full Time Equivalent (FTE) jobs** in the same year, **nearly 0.1% of total UK employment**. These are highly productive jobs, generating **£140,950 of GVA each** (which is nearly **twice as productive as the UK average**).

Through their supply chain expenditure and the spending of employees' earnings, they generated an additional £6.6 billion in GVA and supported a further 73,900 FTE jobs. In fact, **for every decacorn employee, a total of 3.2 employees are supported throughout the wider UK economy**.

*Once these wider contributions are taken into account, these companies' contribution rises to a total of **£11.2 billion in GVA (0.6% of UK total)** and **107,000 jobs (0.4% of UK total)**.*

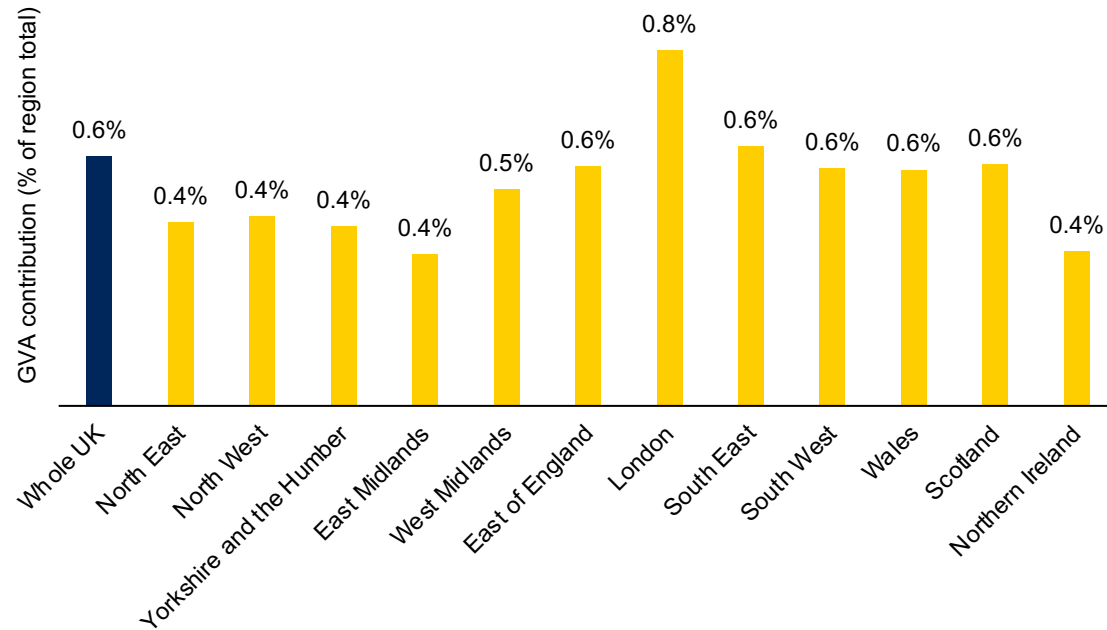
Through corporate taxes, as well as income taxes, these companies, their suppliers and their employees also collectively contributed **£1.2 billion in tax revenues**, or **0.1% of the UK's public finances** in 2021.

The contributions across the UK regions

Decacorn contributions stretch right across the UK, with **over half of their total GVA found outside the London and the South East** regions.

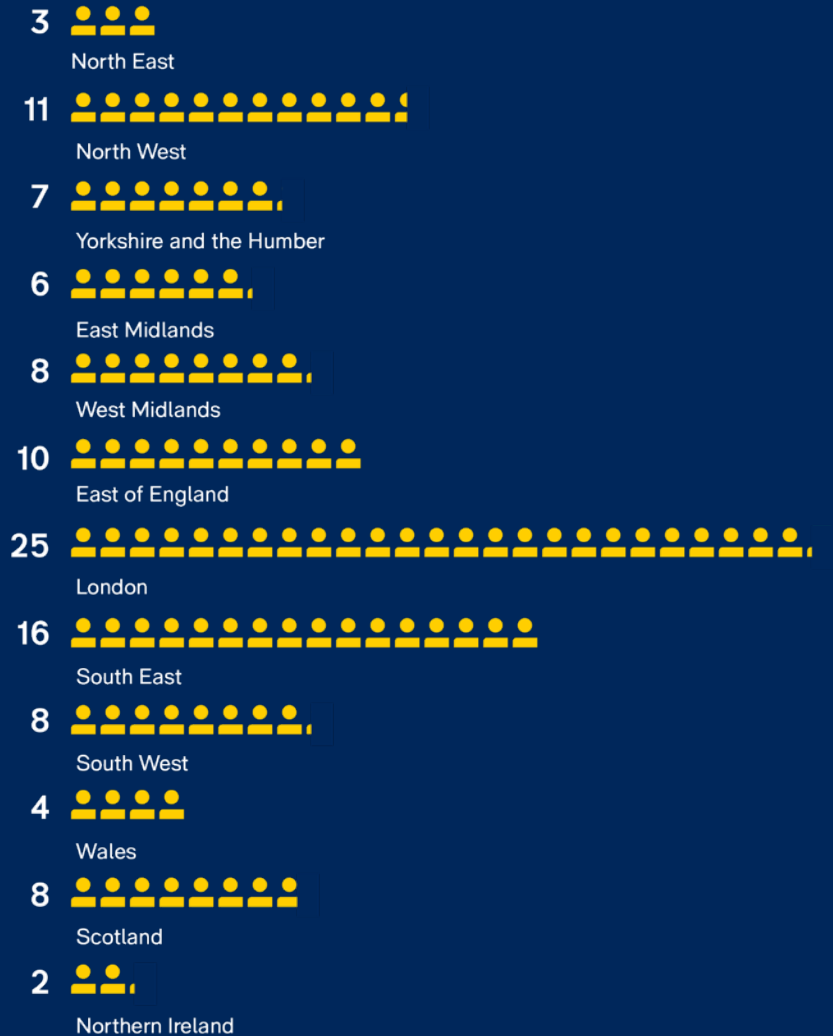
Their employees are also distributed across the UK, with nearly 7% of decacorn employees found in Yorkshire & the Humber, 6% in the East Midlands, and 10% in the North West. Furthermore, 2% of jobs can be found in Northern Ireland, 7% in Scotland and 4% in Wales.

GVA contributions of Decacorns within each region as a % of the regional total, 2021



Source: CBI Economics analysis (2023)

FTE employment distribution of decacorns across UK regions & nations (thousands, 2021)

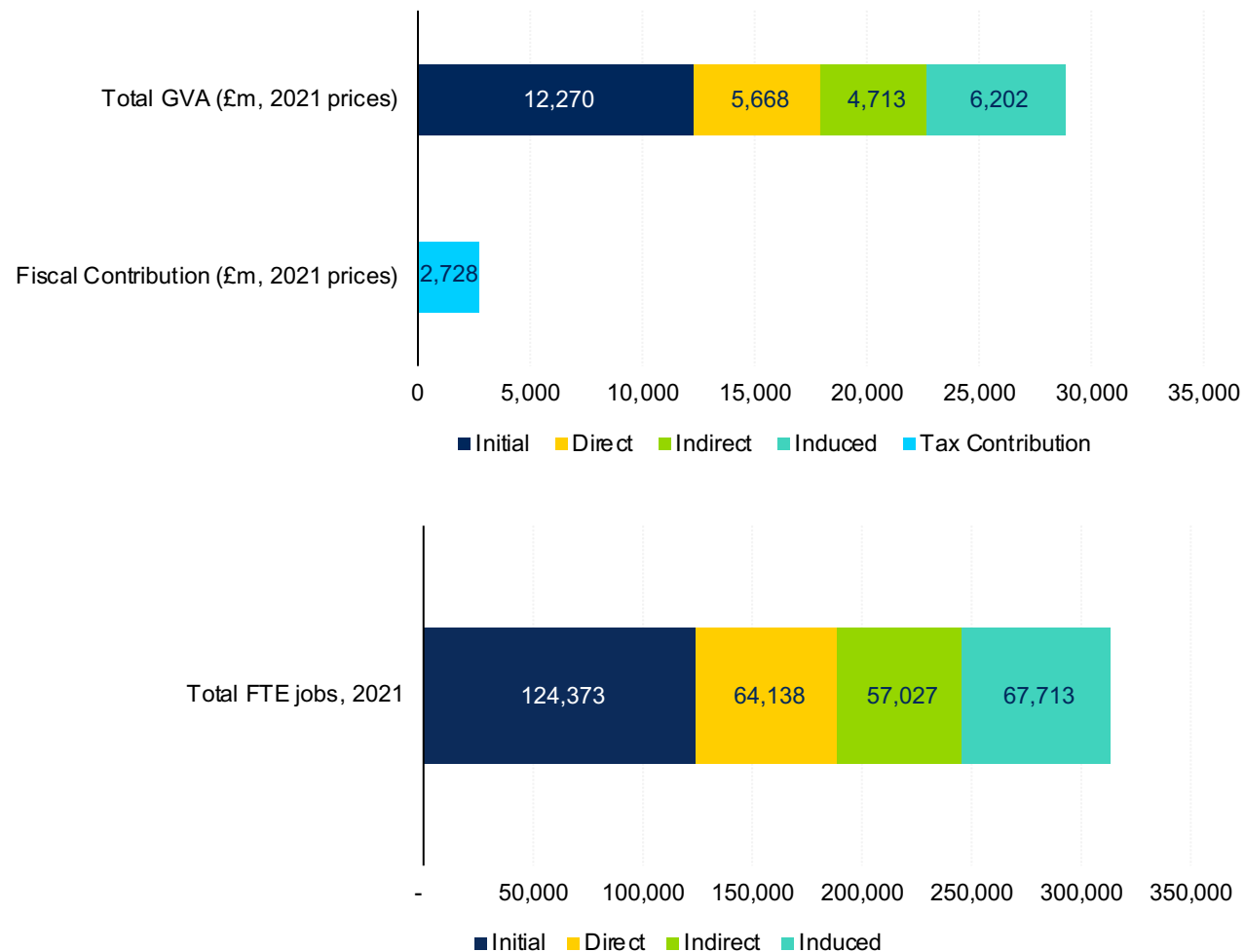


The contributions of unicorns



Overview of the UK economic & fiscal contributions

Summary of total UK economic contributions of Unicorns in 2021



Source: CBI Economics analysis (2023)

Unicorns (HQ & subsidiaries) directly contributed **£12.3 billion in GVA** to the UK economy in 2021 through their activities. This activity represents **0.6%** of the UK economy.

These companies collectively employed **124,350 FTE jobs** in the same year, **nearly 0.5% of total UK employment**. These are highly productive jobs, generating **£98,650 of GVA each** (which is nearly **30% more productive than the UK average**).

Through their supply chain expenditure and the spending of employees' earnings, they generated an additional £16.6 billion in GVA and supported a further 188,900 FTE jobs. In fact, **for every unicorn employee, a total of 2.5 employees are supported throughout the wider UK economy**.

*Once these wider contributions are taken into account, these companies' contribution rises to a total of **£28.8 billion in GVA and 313,250 jobs**.*

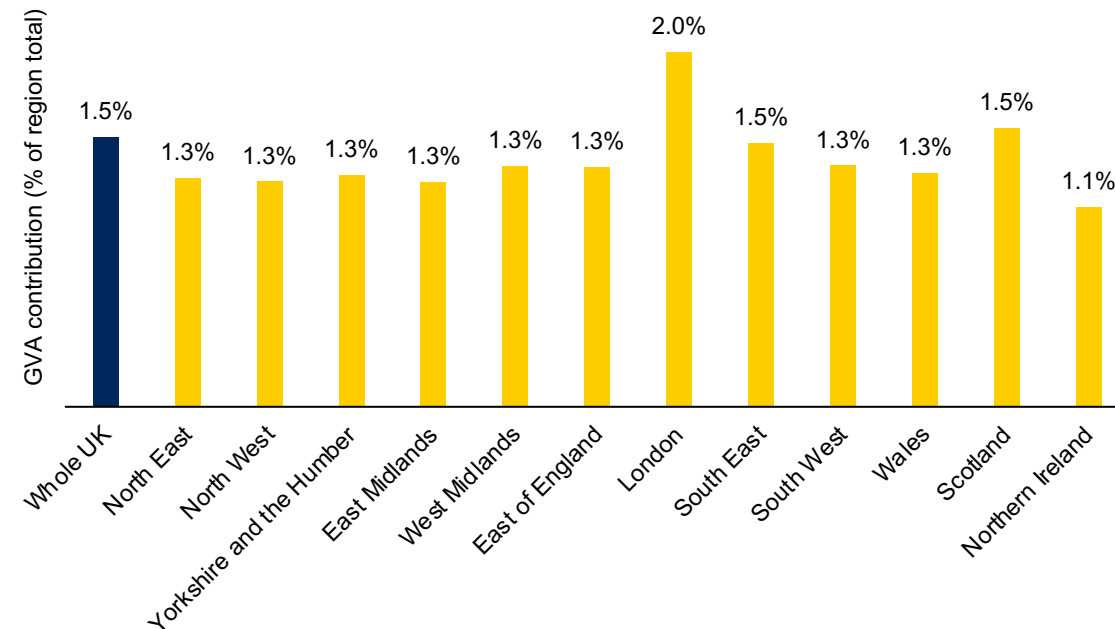
Through corporate taxes, as well as income taxes, they also collectively contributed **£2.7 billion in tax revenues**, or **0.3% of the UK's public finances** in 2021.

The contributions across the UK regions

Unicorn contributions are also widely distributed across the UK, with **54% of their total GVA found outside the London and the South East regions.**

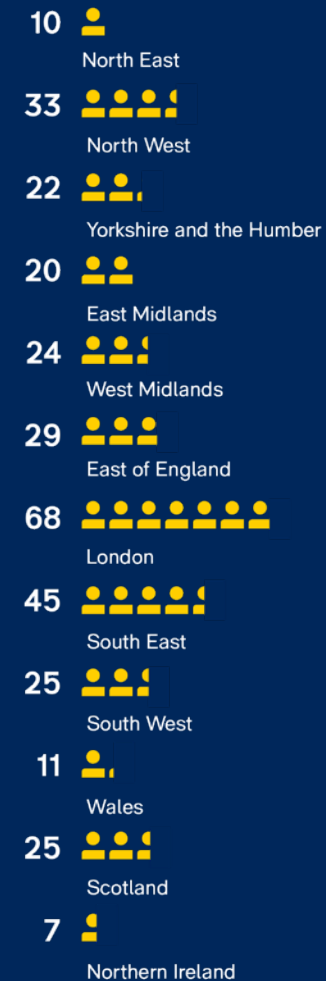
Their employees are also widely spread, with 7% of unicorn employees found in Yorkshire & the Humber, 6% in the East Midlands, and 10% in the North West. Furthermore, 2% of jobs can be found in Northern Ireland, 8% in Scotland and 4% in Wales.

GVA contributions of Unicorns within each region as a % of the regional total, 2021



Source: CBI Economics analysis (2023)

FTE employment distribution of Unicorns across UK regions & nations (tens of thousands*, 2021)



*Note the difference of scale from thousands of employees for decacorns to tens of thousands of employees for unicorns, which reflects the higher population of unicorns

The contributions of soonicorns



Overview of the UK economic & fiscal contributions

Summary of total UK economic contributions of Soonicorns in 2021



Source: CBI Economics analysis (2023)

Soonicorns (HQ & subsidiaries) directly contributed **£5 billion in Gross Value Added (GVA)** to the UK economy in 2021 through their activities. This activity represents **0.3%** of the UK economy.

These companies collectively employed **68,200 Full Time Equivalent (FTE) jobs** in the same year, **nearly 0.3% of total UK employment**. These are highly productive jobs, generating **£72,850 of GVA each** (in line with the UK average).

Through their supply chain expenditure and the spending of employees' earnings, they generated an additional £5.4 billion in GVA and supported a further 66,650 FTE jobs. In fact, **for every soonicorn employee, a total of 2 employees are supported throughout the wider UK economy**.

*Once these wider contributions are taken into account, these companies' contribution rises to a total of **£10.3 billion in GVA and 134,800 jobs**.*

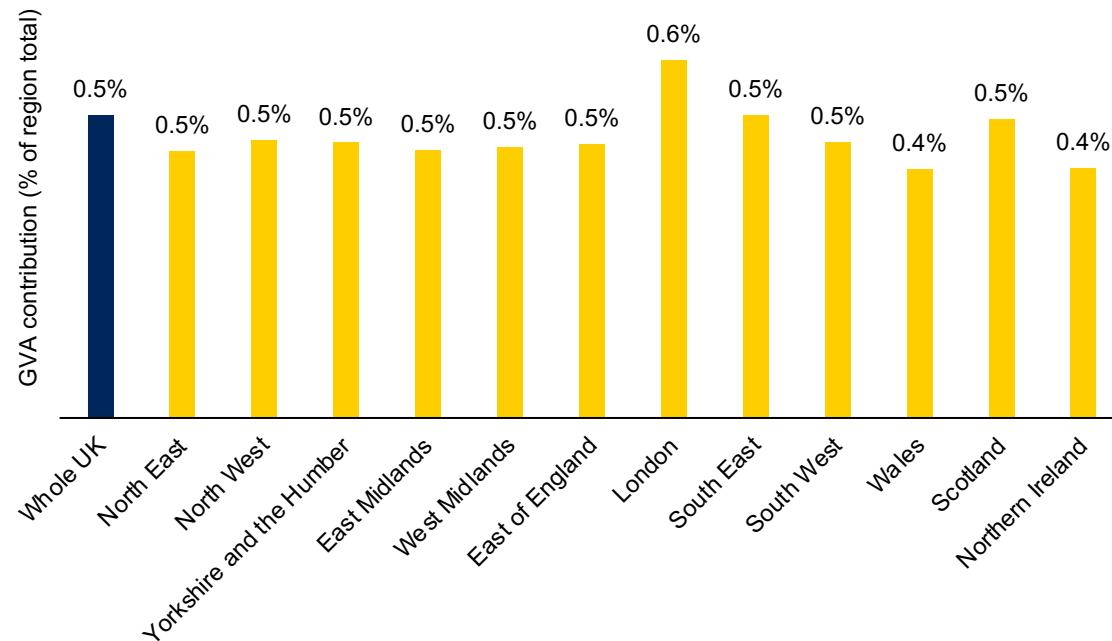
Through corporate taxes, as well as income taxes, they also collectively contributed **£0.9 billion in tax revenues**, or **0.1% of the UK's public finances** in 2021.

The contributions across the UK regions

Soonicorns are also widely present across the UK regions, with **57% of their total GVA found outside the London and the South East.**

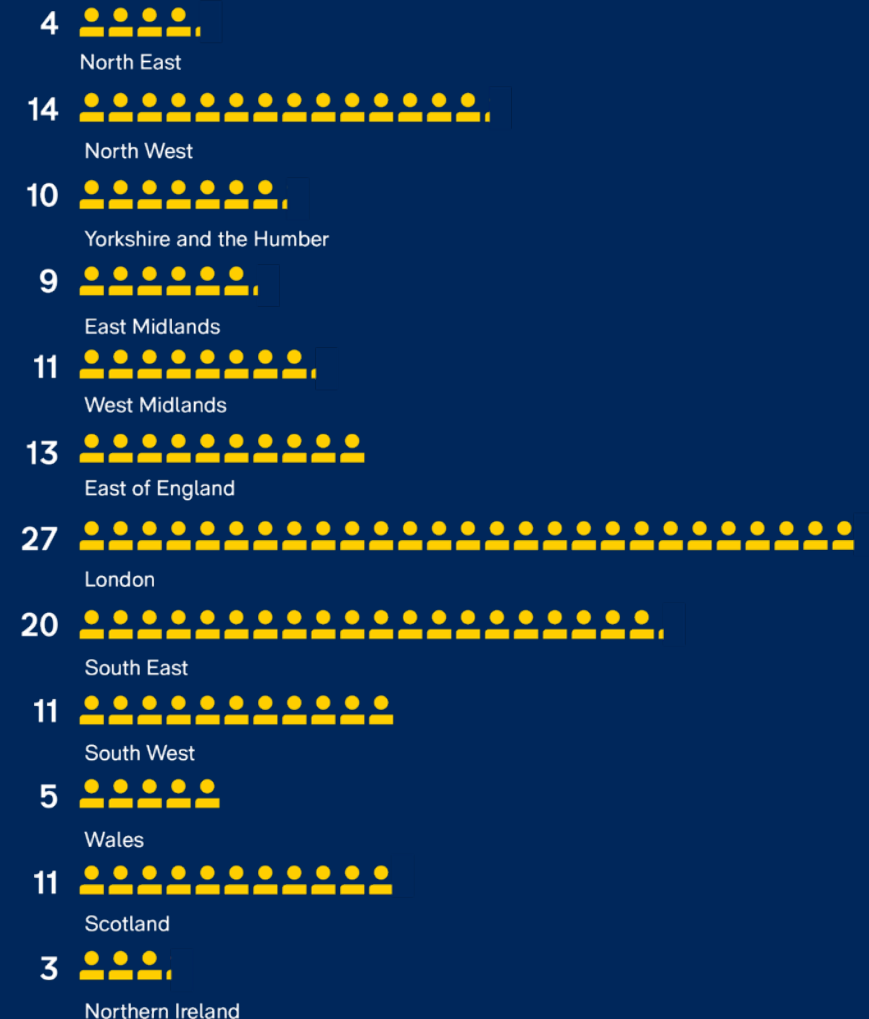
Their employees are also distributed across the UK, with 7% of soonicorn jobs found in Yorkshire & the Humber, 7% in the East Midlands, and 11% in the North West. Furthermore, 2% of jobs can be found in Northern Ireland, 8% in Scotland and 4% in Wales.

GVA contributions of Soonicorns within each region as a % of the regional total, 2021



Source: CBI Economics analysis (2023)

FTE employment distribution of Soonicorns across UK regions & nations (thousands, 2021)

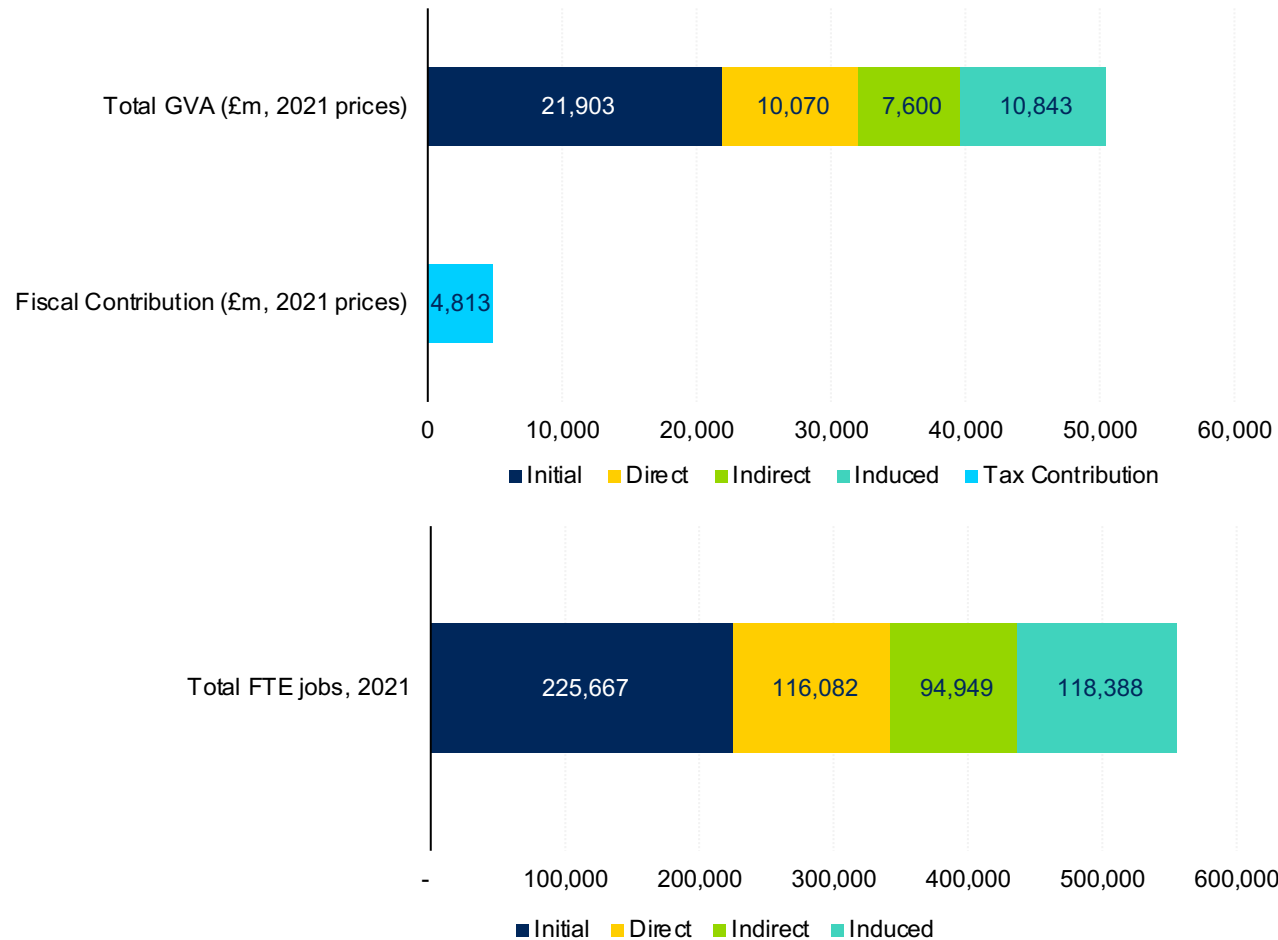


Total baseline contributions



Overview of the UK economic & fiscal contributions

Summary of the total UK economic contributions of Decacorns, Unicorns and Soonicorns in 2021



Source: CBI Economics analysis (2023)

Decacorns, Unicorns and Soonicorns (HQ & subsidiaries) directly contributed **£21.9 billion in Gross Value Added (GVA)** to the UK economy in 2021 through their activities. This activity represents **1.1%** of the UK economy.

These companies collectively employed **225,650 Full Time Equivalent (FTE) jobs** in the same year, **nearly 0.9% of total UK employment**. These are highly productive jobs, generating **£97,050 of GVA each** (which is nearly **30% more productive than the UK average**).

Through their supply chain expenditure and the spending of employees' earnings, they generated an additional £28.5 billion in GVA and supported a further 329,400 FTE jobs. In fact, **for every employee from these companies, a total of 2.5 employees are supported throughout the wider UK economy**.

*Once these wider contributions are taken into account, these companies' contribution rises to a total of **£50.4 billion in GVA and 555,000 jobs**.*

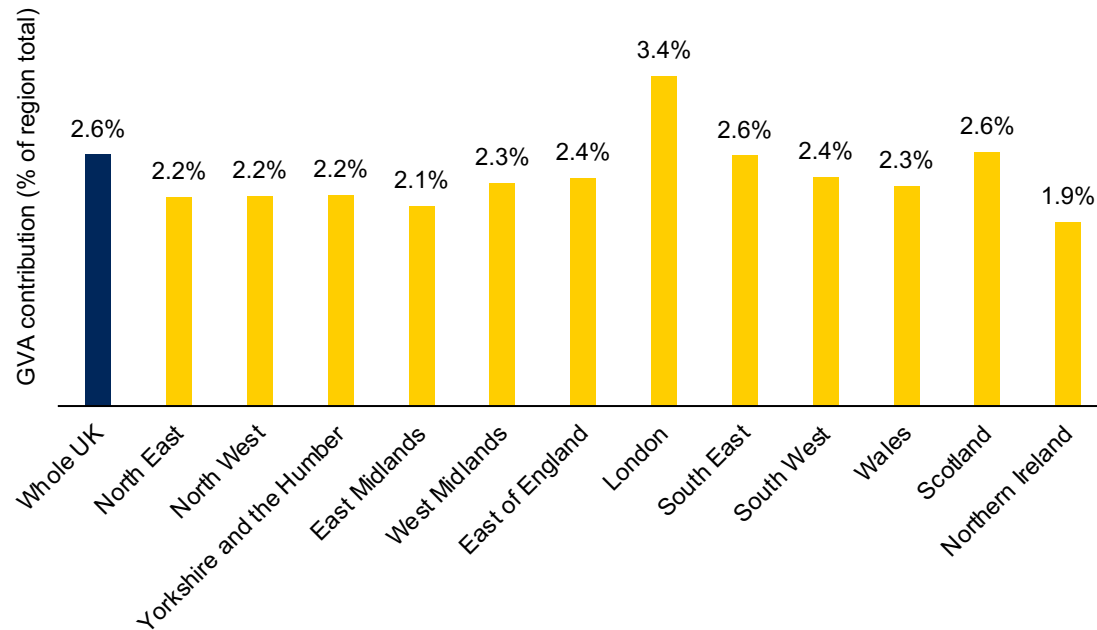
Through corporate taxes, as well as income taxes, they also collectively contributed **£4.8 billion in tax revenues**, or **0.5% of the UK's public finances** in 2021.

The contribution across the UK regions

Decacorns, unicorns and soonicorns have an undoubtedly large presence in London and the South East. Nevertheless, **54% of their GVA contributions** are found elsewhere in the UK, contributing more than **2% of each regional economy**.

With a patchy regional presence, it is clear that there is an opportunity to unlock decacorn and unicorn growth outside of London and the South East, with significant benefits to be gained.

GVA contributions of Decacorns, Unicorns and Soonicorns within each region as a % of the UK total, 2021



Source: CBI Economics analysis (2023)

FTE employment distribution of Decacorns, Soonicorns & Unicorns across UK regions (tens of thousands*, 2021)



*Note the difference of scale from thousands of employees to tens of thousands reflecting the higher number of employees across all decacorns, unicorns and soonicorns

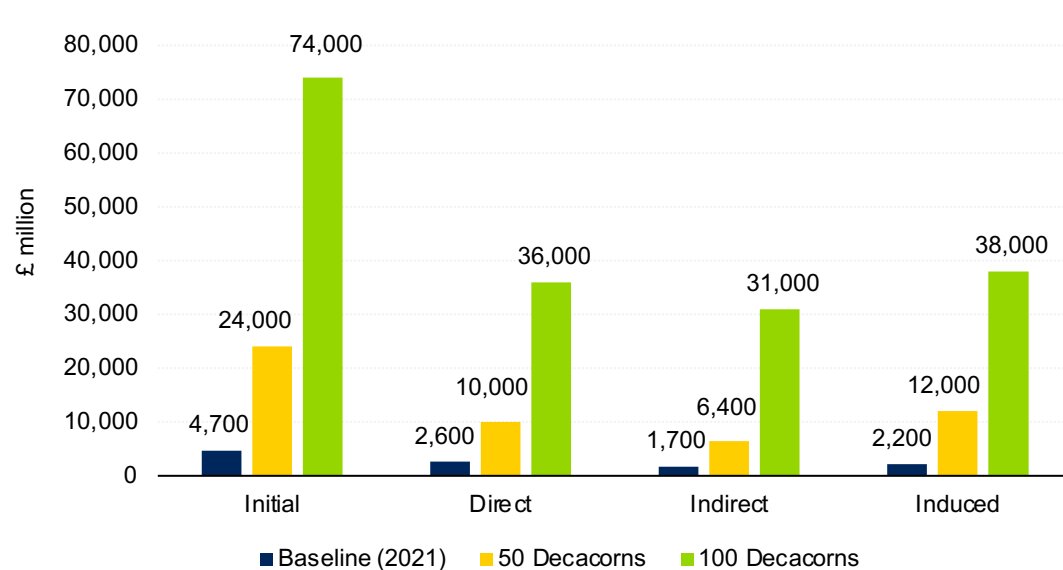
The impacts of growing the UK's population of decacorns



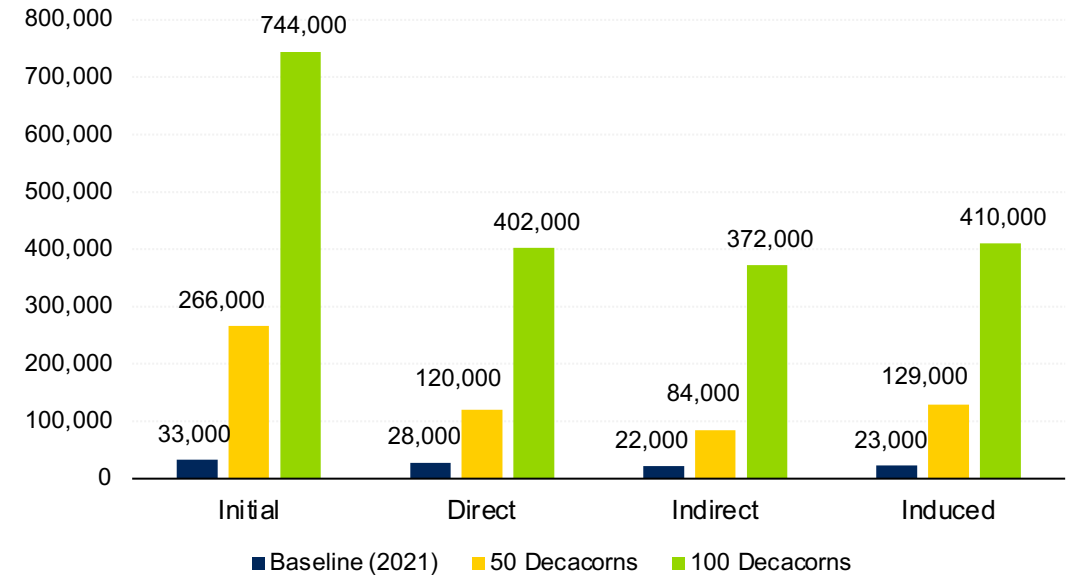
The impacts of growing the UK population of decacorns

While the UK currently has a small population of decacorns (nine), with the right conditions, its pool of fast-growing 108 unicorns and 173 soonicorns have the potential to grow this number significantly over time. To illustrate the benefits that this would bring, we modelled two hypothetical scenarios for growth in the population of UK decacorns: growth to 50, and to 100 decacorns.

Impacts on GVA contributions



Impacts on FTE employment



Source: CBI Economics analysis (2023)

- Growing the UK population of decacorns to 50, total GVA contributions could rise from **£11.2 billion** to **£52.0 billion**, this represents a percentage increase of **363%** and **2.7%** of the UK's total GVA.
- By growing the UK population of decacorns to 100, total GVA contributions could increase to **£178.2 billion**, this is a **1490%** increase and would represent **9.2%** of the UK's total GVA.
- By growing the UK population of decacorns to 50, the total FTE employment of decacorns could rise from **107,000** to **599,000**, this represents a percentage increase of **460%** and **2.3%** of the UK's FTE employment.
- Growing the UK population of decacorns to 100, the total FTE employment of decacorns increase to **1,927,000**, this is a **1700%** increase and represents **7.3%** of the UK's FTE employment.

Appendix: Overview of our approach



Overview of our approach

1. Data collection:

Following on from OC&C's work in defining and identifying businesses in each of the three categories, CBI Economics carried out an extensive data collection exercise. We drew on Companies House reports and The Data City Platform to source subsidiary-level information on sector, region, company finances and employment.

Nearly 2,800 subsidiaries were identified across a total of 8 decacorns, 87 unicorns and 158 soonicorns. These were mapped onto industries and regions, in alignment with the industry structure within the CBI Economics in-house suite of regional economic models.

2. Baseline contribution modelling:

Subsidiary-level employment and financial information was aggregated to a two-digit industry level for each UK region and devolved nation. This enabled us to model the GVA, Full Time Equivalent (FTE) employment and tax contributions of decacorns, unicorns and soonicorns for each region, including the supply chain and wider economy contributions of these companies, using industry-level multipliers bespoke to each region. An overview of our economic models is presented overleaf.

3. Modelling the impacts of growth:

Using information around company-level valuation for all unicorns and soonicorns, we ranked companies according to their value and took the highest 50 and 100 unicorns/ soonicorns and estimated the growth that would be required in order to bring their valuation from their current one, to £10 billion. This essentially identified the companies that are closest to the £10 billion mark and, therefore, shortlisted those that had the greatest chance of achieving this scale of growth.

We then applied this growth to the baseline contributions (GVA, employment and tax) to estimate the economic and fiscal impacts. Note, however, that these scenarios are hypothetical and they are not based on any additional insight into the growth plans and potential of the companies in our database.

Modelling the economic & fiscal contribution

To model the economic contribution of these companies, we have used CBI Economics' proprietary **in-house Economic Contribution model**. This draws on the *input-output framework* which allows for the computation of **multipliers** which capture the inter-dependencies between this sector and other sectors of the economy, both through supply-chain channels and through the spending of employees' wages and salaries on goods and services provided in the wider economy.

We have adopted this methodology to provide you with a robust and independent evidence base that quantifies the economic contribution of the retail sector in its totality (i.e.: the direct effects plus the knock-on effects through the supply chain and on the labour market).

UK & REGIONAL ECONOMIC CONTRIBUTION

- To estimate the companies' wider economic contributions through their supply chains and the spending impact of their employees, we have utilised the CBI Economics in-house economic contribution model.
- This model is based on the well-regarded Input-Output framework which traces out inter-dependencies between different sectors of the UK economy. The model provides a set of multipliers which capture the total £m GVA impact of every £1 spent by companies.

FISCAL CONTRIBUTION

- We have developed a detailed business tax contributions model to estimate both the collective fiscal contribution of these companies, and wider economy contributions. We have also used our wider economic contributions estimates to identify the total amount paid in taxes on production and taxes on products for the companies' suppliers.
- Alongside this, we have combined information from the UK Household Accounts on taxes paid by households with our previous estimates of employment across retail and its supplying sectors to estimate the tax contribution of these employees.

OUTPUTS

Output, GVA employment
Supply chain & spend

Taxes paid by sector & supply chain
Taxes paid by sector employees

CBI Economics

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