

Denmark: A Unicorn Factory

But Why Do They Leave?



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Denmark: A Unicorn Factory

Denmark is great at producing unicorns, but terrible at making them stay. With a population of less than 6 mil. people, Denmark has done incredibly well when it comes to producing tech companies with a valuation above 1 bn USD – so called unicorns. In total 16 unicorns have been founded in Denmark, but many of them have moved their headquarters to other markets.

Denmark is blessed with free education; hence a well-educated population that culturally have been encouraged to think creatively and critically. This can be some of the reasons behind the high number of unicorns produced per capita in Denmark.

16 unicorns have been founded in Denmark since 1992, according to the American startup database Dealroom. This is an impressive achievement for a country with a population of just 5.9 million people. This is equivalent to 2.7 unicorn per 1 million people.

2.7

**Unicorns founded in Denmark
per 1 mil. people**

What is a unicorn?

Dealroom define a unicorn as a rapidly scaling company (and tech enabled) that has reached a \$1 billion valuation, on the basis of a funding round (unrealised), acquisition or IPO (realised).

Highly Valuable Companies in Denmark are Three Times Older Than in the US

In many countries, such as the US, we see young companies overtake older industrial companies in valuation. We have not seen this development in Denmark, and this demonstrates how tech companies often leave Denmark before growing big. This is also underlined by the fact that the most valuable companies in Denmark are almost three times older than in the US.

When looking at other countries the average age of the eight most valuable companies in most of the countries except Germany is lower than in Denmark, see figure 1.

If you compare Denmark to the United States, there is a significant difference in the average age of the eight most valuable companies in the two countries.

The most valuable companies in Denmark are primarily production companies with an average age of 103 years. In the United States the most valuable companies are typically tech companies with an average age of only 36 years.

This mean that it roughly takes 70 more years in Denmark compared to the US to create a company that can compete amongst the eight most valuable companies. Though, the age gap just as much reflects how tech companies leave the country before growing big and valuable.

Average age of most valuable companies

US 36

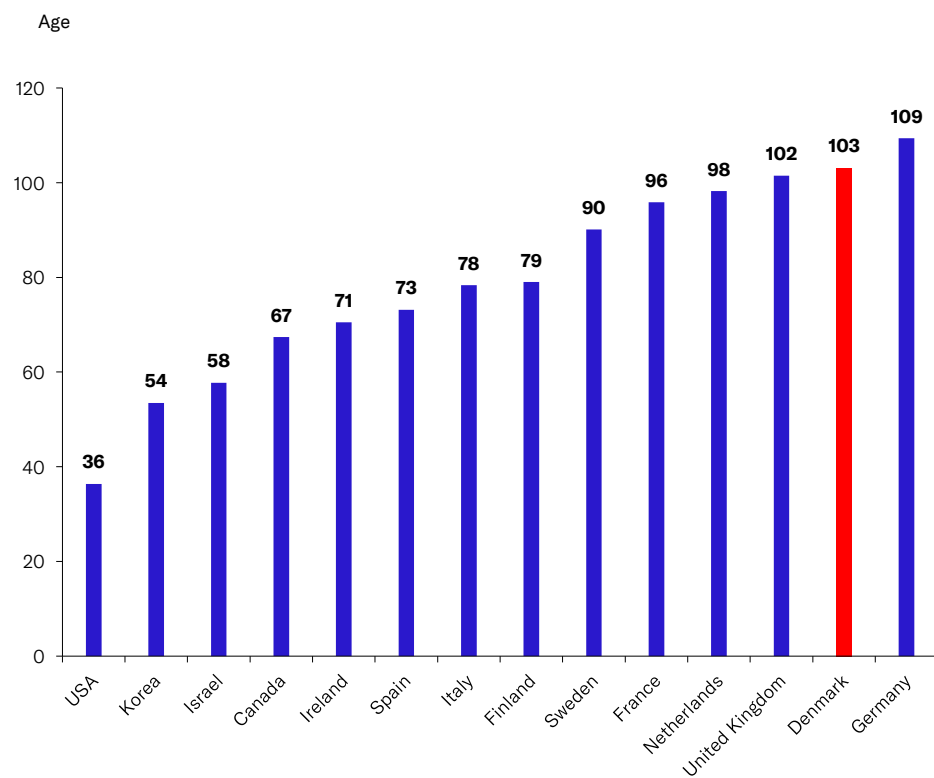
DK 103

The American newcomers are primarily companies in tech and telecommunications such as Amazon, Apple, Alphabet, Verizon and AT&T.

The most valuable companies in Denmark are primarily within production and logistics such as Maersk, Novo Nordisk, DSV, Orsted, Vestas, and Carlsberg.

The average age can be seen as clear indication of how Denmark has not been able to establish itself as a home country for the new generation of high value tech companies.

Figure 1 **Average age of the 8 most valuable companies in selected countries in 2022**



Source: Forbes Global 2000, 2022.












Note: Companies within banking and financial diversification are excluded.

The Unicorns are Leaving

Denmark has since 2000 been the birthplace for 11 new unicorns. Seven of these have subsequently relocated their headquarter out of Denmark. That is more than 60 pct. of the total number of unicorns founded in this period from 2000-2022.

This shows that Danish unicorns can get a good start in Denmark, but eventually relocate elsewhere – often to the US or the United Kingdom. Danish born tech companies face several challenges that can explain this trend, see figure 2.

Figure 2 **Danish tech unicorns founded after 2000**

	Company		Startup year	Headquarter
	Just Eat	Moved	2001	UK
	Zendesk	Moved	2001	USA
	SteelSeries	Moved	2001	USA
	Unity	Moved	2005	USA
	Ascendis Pharma		2006	DK
	Sitecore	Moved	2007	USA
	Trustpilot		2007	DK
	Tradecraft	Moved	2010	USA
	Chainalysis	Moved	2014	USA
	Lunar		2015	DK
	Pleo		2015	DK

Source: Dealroom and observations from the companies' websites.

Note: The list of Danish tech unicorns founded after 2000 is based on Dealroom's list of Unicorns founded in Denmark. Dealroom define a unicorn as a rapidly scaling company (and tech enabled) that has reached a \$1 billion valuation, on the basis of a funding round (unrealised), acquisition or IPO (realised). Danish unicorns founded before 2000, have been left out. According to Dealroom's definition of a unicorn, following companies founded in Denmark before 2000 can be defined as unicorns: Saxo Bank (1992), Bavarian Nordic (1992), Zealand Pharma (1998), Veloxis (1999) and Genmab (1999).

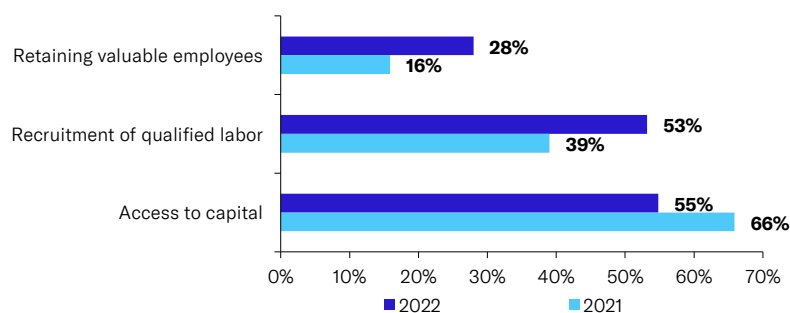
Why are they Leaving?

The Danish startup ecosystem is lacking behind neighboring countries on international rankings. The underperformance of the Danish ecosystem is often linked to access to finance and ease of hiring foreign talent.

Various organisations rank startup ecosystems around the world. One of these organisations are StartupBlink. Out of 100 countries StartupBlink rank the Danish startup ecosystem on an 18th place. Denmark's neighboring countries, such as Germany and Sweden, takes the 5th and 6th place, while the Netherlands ranks 11th, and the US ranks 1st as the country in the world with the best startup ecosystem.¹

In a survey made by the Danish chamber of Commerce in 2022, Danish entrepreneurs mention that sales and access to capital are the biggest barriers to growth. In addition, barriers such as recruitment of qualified labor and the retention of skilled employees have increased rapidly from last year, see figure 3 and 4.

Figure 3 Are the following elements a barrier to the growth of your business?



Source: Dansk Erhverv Entrepreneurship Survey, 2022/2021

Notes: 2022 max. Statistical uncertainty +/- 6.2 pct. n = 250, 2021 max. statistical uncertainty +/- 7.6 pct. n = 164.

¹ StartupBlink examines the startup ecosystem by looking at three parameters: quantity, quality and business score. The quantity parameter measures the number of startups and number of accelerators. The quality parameter measures the result of the ecosystem by looking at unicorns and pantheons. In the mapping of countries' quantitatively and qualitatively performance the size of each country is taken into account so large countries don't benefit from being bigger than other countries. The parameter for business score is a mix of economic and business indicators at the national level.

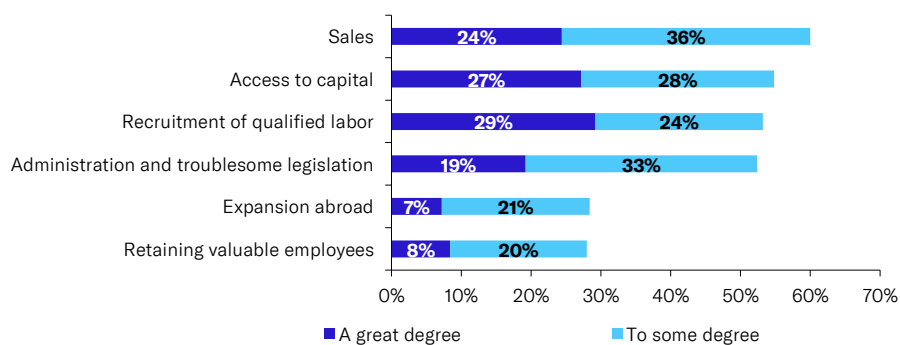
Recruitment and retaining qualified labor are growing barriers for Danish startups

The survey shows that 53 percent of the startups find that recruiting qualified labor is a barrier for company growth. 29 out of 53 percent answer that it is a barrier of growth to a great degree. This is an increase of 14 percent point compared to 2021. In addition, 28 percent of Danish startups experience that retaining valuable employees is a barrier for growth. This is an increase of 12 percent points compared to 2021.

Sales and access to capital remain two major barriers as well

Sales are still a major barrier in 2022. 60 percent of the startups experience sales as a growth barrier. However, sales being a major barrier for growth is not unexpected as it is often a challenge for startups to get products to market in the initial phase. In addition, access to capital also remains a major barrier as indicated by 55 percent of the companies. This is a decrease of 11 percent points compared to 2021.

Figure 4 **To what extent are the following a barrier for the growth of your business?**



Source: Dansk Erhverv Entrepreneurship Survey, 2022

How Do We Make the Unicorns Stay?

Danish Chamber of Commerce (DCC) is keeping an eye on the challenges for startups in Denmark and together with the ecosystems, DCC have the following recommendations on how Denmark can improve conditions for startups – and hopefully make the Danish unicorns stay.

Finance

Lower capital gains tax

Access to capital is a crucial factor for startups and often determines whether a startup stays in Denmark or relocate elsewhere. Denmark has one of the world's highest capital gains tax rates at 42% - even compared to the other Scandinavian countries Sweden (30%) and Norway (31.7%). We recommend lowering the capital gains tax level to 27%. This will make Danish startups and the startup market far more attractive for investors and the taxation level competitive with those of our closest neighbors.

Attract foreign investments

Denmark and the Danish Growth fund should continue building relationships attract foreign investors to Denmark. As a small country with a limited amount of later stage funds Danish tech startups are dependent on attracting foreign investments to scale. Foreign investors can also help startups connect with new markets.

Talent

Better access to warrant programs

Attracting talent can be a big challenge for tech startups, since startups are in competition with big companies, that can offer a high salary, as well as other tech startups in countries, with better possibilities for offering warrants. The rules and regulation for warrant programs in Denmark are very bureaucratic, which makes it difficult and expensive for Danish startups to setup a warrant program for attracting employees. Easing regulation will make it easier for startups to attract talent and increase the likelihood of keeping unicorns in Denmark.

Ease of rules for attracting foreign talent

Danish tech startups often need to hire specialists from outside Europe, but strict rules make it time-consuming and bureaucratic for startups to process visas for foreign talent. Scaleups are often hiring hundreds of new employees a year, and a smooth process is crucial. Denmark should lower the Pay Limit Scheme and ease bureaucracy for foreign talent.

Other relevant areas to address to keep unicorns in Denmark includes **better access to markets and connectivity**. Successful tech hubs around the world have managed to create strong ties between various institutions and startups, which Denmark could learn from.

About this Paper

The work on this paper ended 5 September 2022. It is allowed to quote from this paper with reference to Jasmina Pless, Head of Entrepreneurship, Danish Chamber of Commerce.

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