

# Lisbon's startup scene rises as Portugal gears up to be a European tech tiger

Mike Butcher, January 7, 2021

Almost four years ago I wrote a long deep dive into Lisbon's tech scene. So it's great to check back in with both Lisbon and Portugal for a slightly briefer update on where it's at.

As well-outlined by Stephan Morais, founder and managing general partner at Indico Capital Partners, Portugal has a very high quality of engineering talent at a competitive cost; an extremely high level of English language proficiency (compared to Spain, France, Italy); and a preference for launching product globally from day one. Portuguese founders are highly qualified, with the majority of them holding at least a master's degree.

However, the ecosystem is still in an "early phase" and there are few founders turned angel investors; there have been limited exits until recently; and there is limited available talent in sales and marketing fields. That said, there is still *plenty* of growth to come, as you will see below, and in the COVID-19 era, Lisbon — and Portugal generally — is becoming a magnet for digital nomads with talent.

Given the lack of a large home consumer market, startups in Portugal tend to err toward enterprise and SaaS over consumer applications, according to the Startup Portugal Ecosystem report. While the gap between domestic and foreign sources of funding is closing, there is still a gap in early-stage financing. According to government figures, in 2019 there was €285 million available for investment, and the top 25 later-stage companies raised a total of €117.8 million.

VCs in the country include Portugal Ventures, Indico Capital, Faber Ventures, Armilar Venture Partners, Bynd Capital, Semapa Next, Bright Pixel, EDP Ventures and Shilling Capital Partners. While Mustard Seed is a VC, it's fashioned as an impact fund, only investing in startups that use technology to address social and environmental challenges inside the country.

Portugal is undergoing some changes. In particular, many British refugees from Brexit are relocating there (and everywhere else in Europe, but Lisbon has beaches and startup-friendly taxes). Non-EU residents are able to get a golden visa and tech entrepreneurs can get a startup visa. Meanwhile, Portuguese startups are starting to raise money internationally, so, therefore, punching out of their Portugal-shaped box.

Domestic VC capacity went through a period of great scarcity 2016-18, but this has greatly improved in the 2019-20 period. And international VCs, including nearby Spanish ones (K Fund, Kibo, Conexo Ventures, etc.), are taking an interest in the ecosystem.

Due to the recent successes of Farfetch, Talkdesk, Outsystems, Feedzai and DefinedCrowd, among others, international investors are becoming interested in Portugal. According to investor Pedro

Almeida in 2020, less than 40% of overall venture rounds had the participation of an international investor, but international investors account for over 30% of seed and pre-seed rounds.

This indicates that international investors will increasingly participate higher up the funding stack as the startups grow. Corporate VC has also become more active and professional during the period.

Key Government initiatives to stimulate the ecosystem include Startup Portugal and 200M, a 50:50 matched-funding initiative with a call option within 3-4 years at a low price point (3%-4% IRR); and the FIS social innovation fund with a 70:30 match funding initiative and a call option within 3-4 years also at a low price point.

Plus, “Portugal Tech” is the first-ever proper fund-of-funds initiative, market rules, owned by IFD (the development bank) but professionally managed by the European Investment Fund.

Unicorns emerging from the Portugal ecosystem include OutSystems; Talkdesk (which relocated its HQ to SF); and while Farfetch can claim Portuguese heritage via its founders, it’s better known as a London startup. On their way to bigger things are startups to watch like Feedzai, Codacy, BIZAY, Aptoide, Unbabel and Uniplaces.

Among the up-and-coming “new kids on the block” there are Rows, Didimo, Tonic App, SWORD Health, Barkyn, Utrust, Sensei, Vawlt, Lovys, StudentFinance, Nutrium, Reatia, LegalVision, Kitch, Rnters, kencko and YData.

Key accelerators/incubators include Beta-i, Bright Pixel, BGI (Building Global Innovators), Tec Labs, Startup Lisboa, Fábrica de Startups, Techstars Lisbon (run for two years, but now on a pause), Demium, EDP Starter, Maze X, Blue Bio Value and the Indico Pre-Seed Program.

Co-working spaces (Lisbon only) include LACS, Fintech House, Cowork Central, Second Home, Startup Lisboa, SITIO, Impact Hub and NOW\_Beato. Then there is the giant “campus” style Factor Lisbon, which has happily rejiggered its plans ahead of launch to make the spaces COVID-safe.

Lisbon — and Portugal more generally — is emerging on the European and global stage as an increasingly fast-moving ecosystem that will benefit from its continued EU membership, international outlook, welcoming culture and can-do work ethic.