

## Leading Start-Up Hubs Europe

# Spain's smaller start-up hubs play to their strengths to attract investment

### Up and coming regions

Valencia, Málaga and San Sebastián are drawing in venture capital funding, writes *Lucas Laursen*

Entrepreneur Félix Martín-Aguilar is looking overseas to expand his Málaga-based start-up. It's not that he has anything against the Spanish city, his hometown, but Aliqindoi, a device as a service platform, is ready for the big time, he says, and in some ways his choice shows how Málaga is, too.

In the past, that might have meant seeking venture capital funding in Madrid or a buyer in Barcelona's tech ecosystem, but Martín-Aguilar and colleagues are aiming beyond Spain thanks to a partnership between Málaga incubator BIC Euronova and Berkeley Skydeck, a start-up accelerator at the University of California, Berkeley.

"We have a chance to be a Silicon Valley company," Martín-Aguilar says, although he intends to keep the Málaga location, with no need for a Madrid or Barcelona stepping stone. Had he not started his company at BIC Euronova "we probably wouldn't even have heard about" the partnership, Martín-Aguilar says.

### The big cities dominate

In the first years after the end of the strictest Covid travel restrictions, from 2021, Madrid and Barcelona competed to be Spain's top start-up location, welcoming digital nomads and international investors. The regions of Madrid and Catalonia still dwarf the rest of Spain's start-up hubs combined: they accounted for 29 of 33 public start-up funding rounds or deals in January, according to digital media company El Referente. To attract talent and investment, therefore, the smaller hubs have had to be creative and play to their strengths.

Now, as Spain pulls ahead of the EU's largest economies in economic growth, Valencia, Málaga and San Sebastián have topped their bigger rivals in Madrid and Barcelona in the FT-Statista ranking of European start-up hubs for 2025, with Valencia-based accelerator Lanzadera making it into the top 10.

Investors are putting more funds and employing more staff in these up and coming start-up hubs. Last year, IMEC, a nanoelectronics research consortium headquartered in Belgium, announced it was setting up its second research and development centre, employing 450 staff, at the



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Andalusia Technology Park in Málaga.

"That's going to be very, very important. It's going to take three or four years to get to full speed, but there will be lots of demand for small start-ups to support that centre," says Álvaro Simón de Blas, chief executive of BIC Euronova, in Málaga.

BIC Euronova is an elder of the Spanish start-up scene. Founded in 1991, it has survived the 2001 dotcom crash, the 2008 financial crisis, and the 2020 Covid-19 recession. This year it is second in Spain only to Lanzadera in the FT-Statista ranking, coming fourth for mentoring.

### Exploit regional advantages

Málaga, on Spain's southern Costa del Sol, has a longer history as a tourist destination than a start-up hub, but

the start-up promoters have turned that to the region's advantage. "What we've done is encourage passive residents, who might not have been investing or working here, to create new companies," Simón de Blas says. "That's made it so that 20 per cent of the companies are foreign, and that sets us apart from Madrid and Barcelona."

Indeed in 2018, UK investor Tom Horsey helped to found start-up accelerator StartupLabs Spain, in both Seville and Málaga, and has since invested in some Málaga start-ups. "Málaga's public administration is very efficient at institutional support," he says, referring to how it promotes BIC Euronova and the larger Andalusia Technology Park. An earlier endorsement came in 2012, when Google acquired Málaga-based cyber security start-up VirusTotal and decided to grow the team in place.

The city is also host to the school of telecommunications engineering at the University of Málaga. Martín-Aguilar started Aliqindoi, his second start-up, at BIC Euronova in part to tap into the local pool of graduates and because of the lower cost of living in the region compared with Madrid, Barcelona and many other leading tech cities in Europe. When Martín-Aguilar showed his business plans to

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his contacts in California recently, they asked whether he had made a mistake listing such low salaries compared with other cities.

### Disadvantages of small hubs

Despite the attractions of the talent pool, Spain's smaller start-up hubs do face certain disadvantages. "One of Málaga's pending tasks is funding," Martín-Aguilar says. Simón de Blas agrees: "There have been investor groups that have brought money from outside, but the local fund scene is still in development."

Another limitation may be local tech workers' language skills. Horsey blames a weak grasp of English among staff in part for the failure of one of his Spanish investments to obtain enough funding. "I do think that that's changing," Horsey says. "Previous generations of founders help make it very clear to the newer generations that this is a necessity if you're going to play the start-up game, raising money; and the younger founders tend to be better at languages than the older ones."

While Madrid and Barcelona start-up founders are working on their third or fourth successive young business, most hubs in Valencia, the Basque Country and Andalusia are closer to their second generation. In the coming years the relative difference in experience will shrink, and each region's distinct advantages may play a bigger role. "As we pass through the generations of founders, it becomes less and less necessary to have public support and the private sector starts taking over," Horsey says.

### Founders Factory offers start-ups support as well as investing in start-ups

Delta operates. And we have a good understanding of their objectives and what they're trying to do. And for us, it's an incredible source of deal flow."

UK and Ireland start-up hubs are well established but they are facing growing competition from Paris, Amsterdam and Munich as well as further afield.

For the UK to maintain its position as a tech start-up leader, some experts argue that it must produce more world-class "unicorns" – start-ups that have gone on to be valued at more than \$1bn.

And that may require the UK's tech hubs to consolidate, into four to five regional hubs – possibly north-west England, Bristol, Strathclyde in Scotland, London and Oxford-Cambridge – says Duncan Johnson, CEO of Northern Gritstone, an investment company focused on start-ups in the north of England.

"You need a small number of world-class [tech] ventures that you really get your shoulder behind," he says, adding that to be successful start-up hubs should be no more than 10 miles apart. "We need more concentration of tech clusters . . . [with] more gravitational pull."

