



Small Business Equity Tracker 2025

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Foreword

I'm delighted to introduce the eleventh edition of the Small Business Equity Tracker, which provides an in-depth assessment of the equity market for smaller businesses.

Our research helps us understand the latest trends in equity finance, identify potential gaps in the market and monitor the activity of the Bank's programmes.

This year's report also explores the state of the UK business angel market, providing new insights to support the Bank's strategic objective of Backing Innovation.

2024 was a challenging year with smaller businesses continuing to navigate difficult equity market conditions. As a result overall UK investment values declined by 2% to £10.8 billion and deal numbers fell more sharply.

As has been the case in other leading markets, the economic environment has led to a more selective approach from investors and a trend towards fewer, larger deals. Given these headwinds the Bank will continue to support the pipeline of innovation in the UK, ensuring high-growth companies have access to the right capital to start and scale successfully.

However, there were some positive signs across the market in 2024. Last year was the fifth highest on record for equity investment in the UK, and over £2 billion continues to be raised by smaller businesses each quarter. Deal sizes are also increasing at each stage of the market, indicating that there is healthy investor appetite for high potential companies. The AI sector has seen particularly strong growth over the past year, with companies raising 40% larger rounds than the market average in 2024.

The Bank continues to back those businesses developing the breakthrough technologies of tomorrow. For example, 49% of Bank-supported deals were in the tech sector between 2022 and 2024, compared to 42% of deals across the overall market. In addition, the Bank is helping academic spinouts commercialise the cutting-

edge research emerging from the UK's universities. We invested in a quarter of spinout deals across the market during the past three years.

Our research finds that the UK still requires more investment to close the gap with the US market. This is particularly the case in R&D intensive industries and in modern Industrial Strategy growth-driving sectors, such as life sciences and advanced manufacturing. Through the Life Sciences Investment Programme and Future Fund: Breakthrough, the Bank is addressing finance gaps for R&D intensive businesses which face higher capital requirements when seeking to scale up and become global leaders.

This year's report also provides new insights on activity in the UK business angel market. This chapter finds that angel investors remain a key source of equity funding for early stage businesses, despite challenging market conditions, and are demonstrating an increasing focus on backing underrepresented founders. The Bank's Regional Angels Programme is supporting the vital role that these investors play in the economy, while reducing regional imbalances in access to early stage funding for smaller businesses across the UK.

Looking ahead, I welcome the Government's recent announcement that it is transforming the capabilities of the British Business Bank to deliver the UK's modern Industrial Strategy, including an increase of the Bank's total financial capacity to £25.6 billion. This represents a strong endorsement of the Bank's 10-year track record and will crowd in tens of billions of pounds of private capital, to support the most innovative businesses as they scale in the UK.

As the Government's centre of expertise on smaller business finance, this research provides policy makers, market participants and smaller businesses with a trusted source of information on how the market is performing. I hope you find this year's Small Business Equity Tracker informative and insightful.

Leandros Kalisperas
Chief Investment Officer, British Business Bank

Executive summary

1. Equity investment fell slightly in 2024 to £10.8 billion, while deal numbers declined more sharply



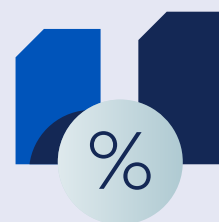
In 2024 equity funding for UK smaller businesses fell by 2.5% to £10.8 billion, while deal numbers declined by 15.1% to just over 2,000 deals. There has been a continuation of subdued market activity since the beginning of 2023, although annual investment values were still the fifth highest year on

record and above the levels seen before the pandemic. Investment values were supported by increased appetite for AI, with deals in this sector 40% larger than the wider market average in 2024.

There were signs of recovery during the first six months of the year with £6.8 billion invested, the highest total since the first half of 2022. However, the market has since reverted to lower levels of dealmaking, driven by a period of heightened economic uncertainty which has increased investor caution. The most recent data shows that 382 equity deals were recorded in the first quarter of 2025 at a value of £2.3 billion.

Earlier stages of the market experienced larger reductions in deal numbers in 2024. The number of seed and venture stage deals fell by 14.5% and 17.2%, respectively, while growth stage deal volumes were down by 11.5%. This decline in early stage funding was a global trend in 2024, with other leading markets also experiencing this challenge. Overall, the pace of the UK market's recovery is behind that of the US but ahead of the rest of Europe.

2. The UK has a 10% VC investment gap with the US, with more acute gaps in Industrial Strategy sectors



UK VC investment now represents 0.68% of gross domestic product (GDP), based on the latest three-year average for 2022-2024. This is slightly below the equivalent proportion in the US of 0.73%, meaning that the US deploys 1.1x (or 10%) more funding on a GDP-adjusted basis. However, this gap has narrowed since 2019-2021, when the US invested 1.3x (or 30%) more than the UK at around one percent of GDP.

This investment gap continues to be driven by a lack of finance in R&D intensive sectors. Companies in these industries, such as deeptech start-ups, are more capital intensive and generally require higher levels of funding over a longer time period to scale up successfully. VC investment in these industries represented 0.25% of GDP in the UK during 2022-2024, but 0.31% in the US (equivalent to a gap of 1.3x or 30%). Across other sectors outside R&D intensive industries the UK performs in line with the US on a GDP-adjusted basis.

Looking at other industries of importance, the Government has prioritised eight growth-driving sectors as part of the UK's modern Industrial Strategy. Significant finance gaps remain in advanced manufacturing and life sciences, for example, where the US still raises 1.9x and 1.5x more VC funding than the UK respectively. The UK lacks the large specialist life sciences funds of markets like the US, while there are challenges in developing and deploying advanced technologies at scale in physical manufacturing environments.

3. The Bank remains more likely to invest in tech businesses and university spinouts than the wider market



The Bank supported 14% of UK equity deals through its equity programmes between 2022-2024, and these deals accounted for 17% of total investment value across the market. This was in line with the figures reported in recent Small Business Equity Tracker reports, indicating that the Bank's activity has moved in line with the wider market in the past year. Over the longer term since 2016-2018 the Bank's market share has grown from 9% of deals and 13% of investment, respectively.

The Bank continues to have a strong focus on seed investment, with 48% of its deals at this stage during 2022-2024 (versus 42% of wider market deals) – reflecting activity from the Regional Angels Programme and Enterprise Capital Funds. It also has a continued strong focus on backing innovation; 49% of Bank supported deals were in the tech sector, compared to 42% of deals across the overall equity market, and the Bank backed a quarter (24%) of all UK academic spinout deals during this period.

Geographically the Bank has a higher share of deals than the market in seven of the twelve English regions and devolved nations – including the North West, East of England, South West, Yorkshire and the Humber, West Midlands, East Midlands and Northern Ireland. This pattern reflects the expansion in recent years of the Bank's Nations and Regions Investment Funds, in particular the Northern Powerhouse Investment Funds, the Midlands Engine Investment Funds and also the regional focus of the Regional Angels Programme.

4. Angel investors continue to be a significant source of equity funding for start-up and early stage businesses



Business angels are a key funding source for early stage innovative businesses, being well suited to make the small ticket and high-risk investments that these companies require. This year's report survey of around 250 UK angel investors finds that 70% of angels invest in early stage ventures, for example. The latest data on the size of the market – proxied by funding raised via the Enterprise Investment Scheme (EIS) – indicates that business angels invested £1.6 billion in 2023/24, though this was a 20% fall from 2022/23.

UK business angels made an average of around three investments a year over the past three years, consistent with the findings of the Bank's UK Business Angel Market 2020 report, and an increasing share also reported making between 6-10 investments. However, the proportion making no investments was also higher than the previous survey (at 25% in 2023/24), likely reflecting the more cautious investment environment since 2022.

5. An increasing share of angel investors are focusing on underrepresented groups



The most important factor in angels' investment decisions is the skills and experience of company founders, followed by commercial traction and the potential wider impact of the investment. Nearly two fifths (37%) of respondents reported that supporting underrepresented groups was also an important influence, up from 20% in the 2020 report.

There is an increased focus from angel investors on life sciences and energy-related industries. The proportion investing in energy, environment and cleantech rose from 20% to 35% in this year's survey, with the share focusing on healthcare, digital health and medtech up from 34% to 38%. The top six sectors (including biotech, software, manufacturing and fintech) also all align with the Industrial Strategy growth-driving sectors, highlighting that angels are an important source of finance for early stage companies in these priority areas.

UK business angels are also being active in realising gains and looking to reinvest, despite the challenging backdrop for exits across the market. One third of angels exited an investment in 2023/24, up from just over a quarter of respondents in the previous survey. Two fifths of angels also expect to have an exit opportunity during 2024/25, with the majority (84%) looking to reinvest their gains into further early stage investments.

In the context of these overall report findings, the Bank welcomes the Government's recent announcement that it is transforming the capabilities of the British Business Bank to deliver the UK's modern Industrial Strategy and boost economic growth. This will include an increase of the Bank's total financial capacity to £25.6 billion, enabling a two-thirds increase in investments to around £2.5 billion a year. This represents a strong endorsement of the Bank's 10-year track record and marks a step change in financing to support smaller businesses as they start and scale in the UK.

Introduction

This report provides an in-depth assessment of trends in UK equity finance activity in 2024 for smaller businesses. It builds on the previous analysis contained in the recently published Small Business Finance Markets 2025 Report that covered equity finance trends up to 2024Q3. Our upcoming Nations and Regions Tracker report will provide more detailed analysis of the geographical distribution of equity deals.

The primary data source used for this analysis is Beauhurst, with a specific focus on announced equity deals involving UK-based SMEs. Beauhurst identifies and records equity deals made by the full range of equity investors, from large growth deals in established businesses by VC funds, to smaller deals in early stage companies by angel investors and equity crowdfunding platforms. Additional information on Beauhurst's methodology and terminology can be found in the report appendix.

Some of the analysis also draws upon PitchBook data, which includes information on global VC deals, fundraising and exits. While this data does not include an SME filter, it enables UK trends to be compared with those in other international markets.

This year's report is structured as follows:

- **Chapter one** provides an overview of equity market activity in 2024, as well as a headline summary of deals and investment in 2025Q1.

- **Chapter two** provides an overview of equity deals made by British Business Bank supported equity funds between 2022 and 2024, making comparisons to the overall equity market by stage, sector, region and gender composition of founder teams.
- **Chapter three** provides an analysis of the UK business angel market, assessing recent trends in funding activity, the characteristics of the market and the key drivers of angel investment decisions.

The analysis in chapter three has been drawn from a joint British Business Bank and UK Business Angels Association (UKBAA) survey of angel investors carried out by PwC Research, as well as monitoring information from the Regional Angels Programme (RAP), and data from HMRC and Beauhurst.

This approach enables a more complete picture of market activity to be formed, and builds on previous UK Business Angel Market reports published by the British Business Bank and UKBAA in 2018¹ and 2020.²

Recent trends in SME equity finance

- Equity investment fell slightly in 2024 to £10.8 billion, while deal numbers declined more sharply
- Earlier stages of the market experienced a larger contraction in deal numbers, particularly during the second half of the year
- The average deal size rose at each stage of the market, driven by increased investor appetite for the AI sector
- Scotland, the North West and the East Midlands all saw annual growth in both investment value and deal numbers
- Investment in university spinouts was resilient in 2024, and these companies now account for 17% of total equity funding
- The UK has a 10% overall investment gap with the US, with more acute gaps in Industrial Strategy sectors

Equity investment fell slightly to £10.8 billion in 2024, while the number of deals declined more sharply

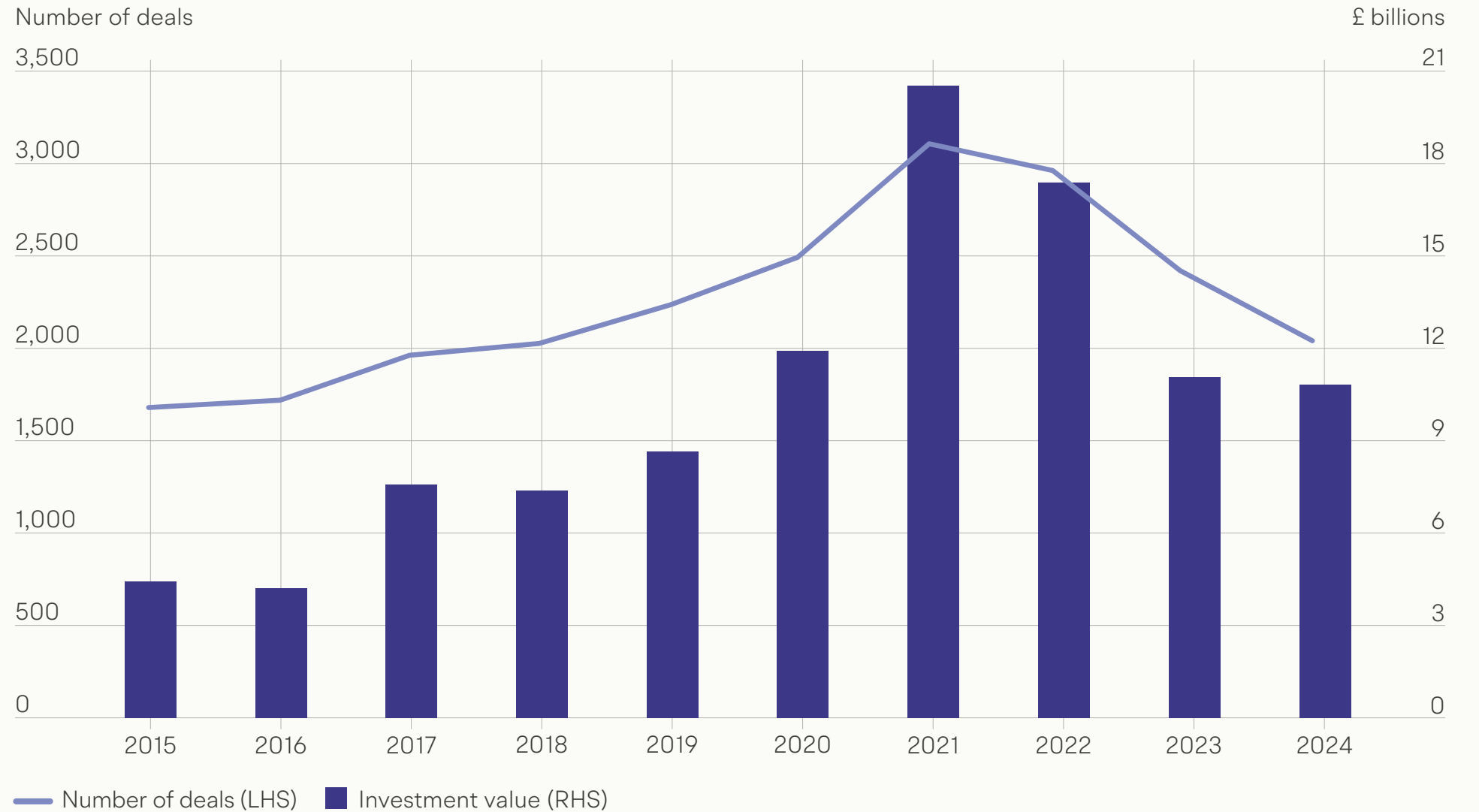
The latest full year data shows that UK smaller businesses raised £10.8 billion of investment in 2024, a 2.5% decline compared to 2023 and significantly below the outlier years of 2021 (£20.6 billion) and 2022 (£17.4 billion). While this demonstrates a continuation of subdued levels of market activity since the beginning of 2023, it was still the fifth highest year on record for investment value and above the totals seen before the pandemic years.

The market was less resilient on a deal numbers basis in 2024, with the number of equity deals falling by 15.1% to 2,048. This total is down by a third (33.9%) from its peak in 2021, and is now in line with levels last seen in 2018. The contraction was driven by a particularly weak second half of the year during which there was heightened market uncertainty, resulting in investment decisions being paused and funding existing portfolios being prioritised over new opportunities.

Figure 1.1

Number and value of equity deals over time

Source: British Business Bank analysis of Beauhurst data



Following unsustainable increases in valuations during 2021, higher inflation and a tighter monetary environment triggered a downturn in 2022. Since then, equity investment has reverted to lower levels seen prior to the pandemic. The amount invested in 2024 is in line with the market's ten-year average of £10.4bn. However, this recent period has also seen a trend towards fewer, larger deals (explored later in this chapter), with the number of deals currently sitting 9.6% below the annual average over the past decade of 2,266 deals.

Factoring in the impact of inflation, equity investment was £9.7 billion in real terms in 2024. This was a 6.2% drop from 2023 values but up by 82.5% since 2015 (versus a 142.9% equivalent increase in nominal terms). In real terms 2024 remains the fifth highest year on record for equity funding.³

Similar trends were evident across the rest of Europe in 2024, albeit with sharper falls in activity – with total investment and deal numbers declining by 7.6% and 16.1% respectively. Although there is some dry powder in the market, a lack of exit opportunities means that general partners (GPs) are still being more selective in their approach and focusing on follow-on deals or more established firms.

In its Annual US Venture Report PitchBook note that 2024 has brought some signs of dealmaking recovery in the US market, supported by interest rate cuts from the Federal Reserve and more cuts forecast for 2025. However, for now the upturn in activity is being driven by a handful of large deals and the anomalous AI sector rather than broad-based growth: "...of the \$74.6 billion in deal value generated in 2024Q4, 43.3% can be attributed to the five largest deals: Databricks, OpenAI, xAI, Waymo and Anthropic."⁴

Looking at the underlying quarterly data in figure 1.2, 2024 was a year of two halves for the equity market. During the first two quarters there was £3.5 and £3.3 billion of total investment deployed respectively, the highest half year total since 2022H2. However, investment values declined by 41.8% in the final two quarters of 2024 to around £2 billion per quarter.

There was a similar story throughout 2024 on a volume basis, with the number of deals declining by 32.5% between the first and second half of the year. A total of 441 equity deals were recorded in Q4, a slight recovery from the previous quarter which saw 384 announced deals. However, these figures were significantly below the Q1 and Q2 totals of 608 and 615 deals respectively.

For comparison, there was a quarterly average of 758 deals during the market peak of 2021-2022, and an average of 563 during the preceding 2018-2020 period.

The decline in dealmaking activity reflects a particularly challenging economic environment during the second half of the year, with UK real GDP remaining flat in 2024Q3 and growing by 0.1% in 2024Q4⁵. The prospect of US tariff measures and geopolitical uncertainty has also had an impact. The IMF's latest May forecast for UK economic growth noted that global trade tensions are expected to lower the level of UK GDP by 0.3% by 2026⁶.

The most recent data for 2025Q1 indicates that there has been a slight upturn in investment values, while the number of deals remains historically low. Total investment was up by 13.3% on the quarter to £2.3 billion, while the deal count fell by 13.4% to 382 deals recorded. On an annual basis compared to 2024Q1, however, the number and value of deals was down by 37.2% and 34.3% respectively.

So far in 2025 the equity market has experienced greater levels of risk as a result of potential US tariff changes, with companies and investors having to

consider the long-term impacts on their business models and investment strategies respectively. The performance and volatility of public markets has also had implications for asset allocation to private markets, while putting pressure on an already subdued exit environment.

Figure 1.3 provides a more long-term view on how the recent lower levels of UK market activity have compared historically, including quarterly data back to 2015Q1. This further emphasises that dealmaking numbers were relatively strong on a historical basis during the first half of 2024, above most quarters on both a value and volume basis (with the exception of those during the peak years).

For the past three quarters the amount invested has remained at around £2 billion, in line with levels seen prior to the pandemic. However, deal volumes are now at their lowest point over the past decade – in particular during 2024Q3 and 2025Q1. While a small part of this may be influenced by data reporting lags, taking both measures together this analysis shows that the market is seeing some of its lowest levels of activity over the past decade.

Figure 1.2

Number and value of equity deals by quarter

Source: British Business Bank analysis of Beauhurst data

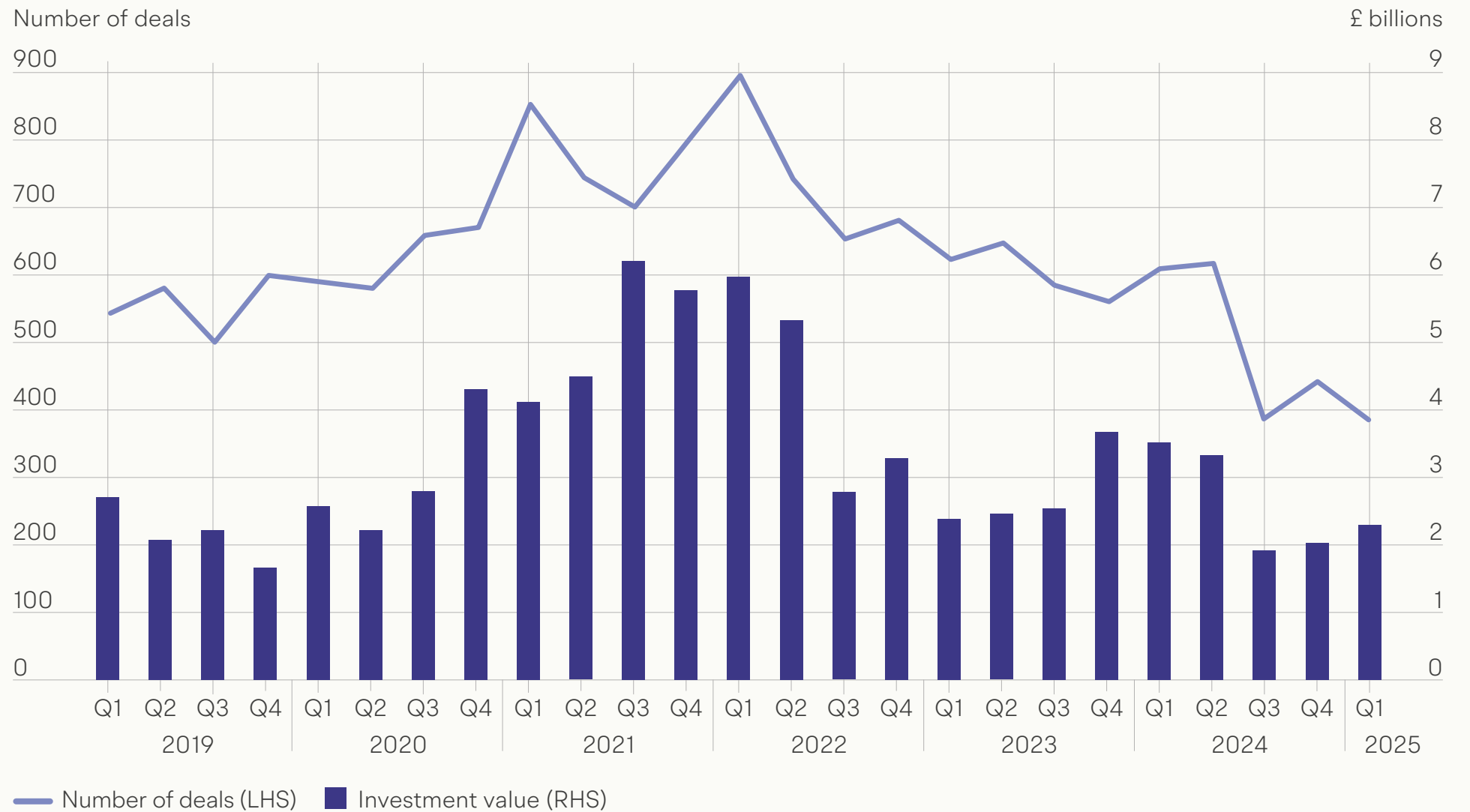
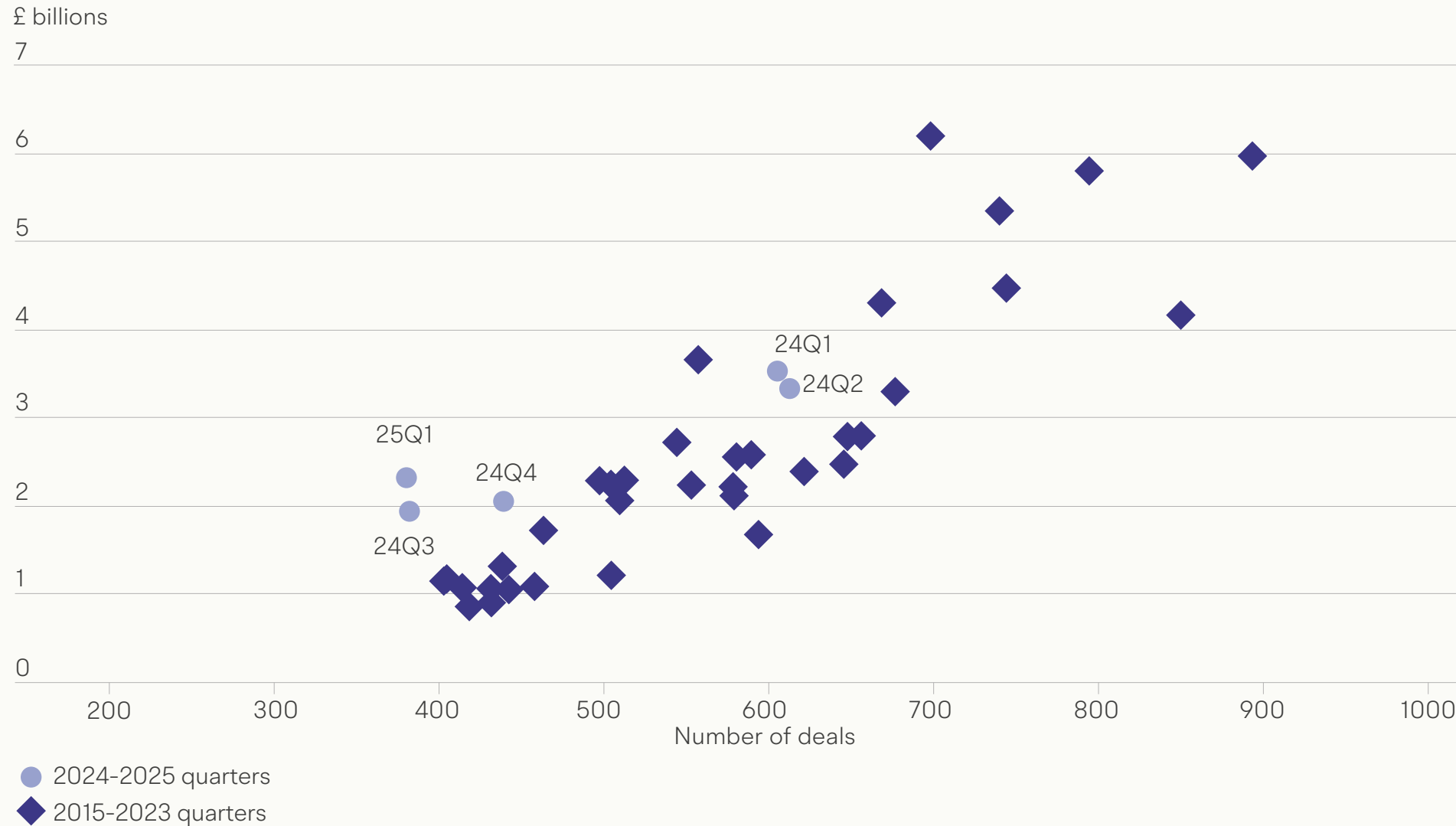


Figure 1.3
Number and value of equity deals by quarter (2015Q1-2025Q1)

Source: British Business Bank analysis of Beauhurst data



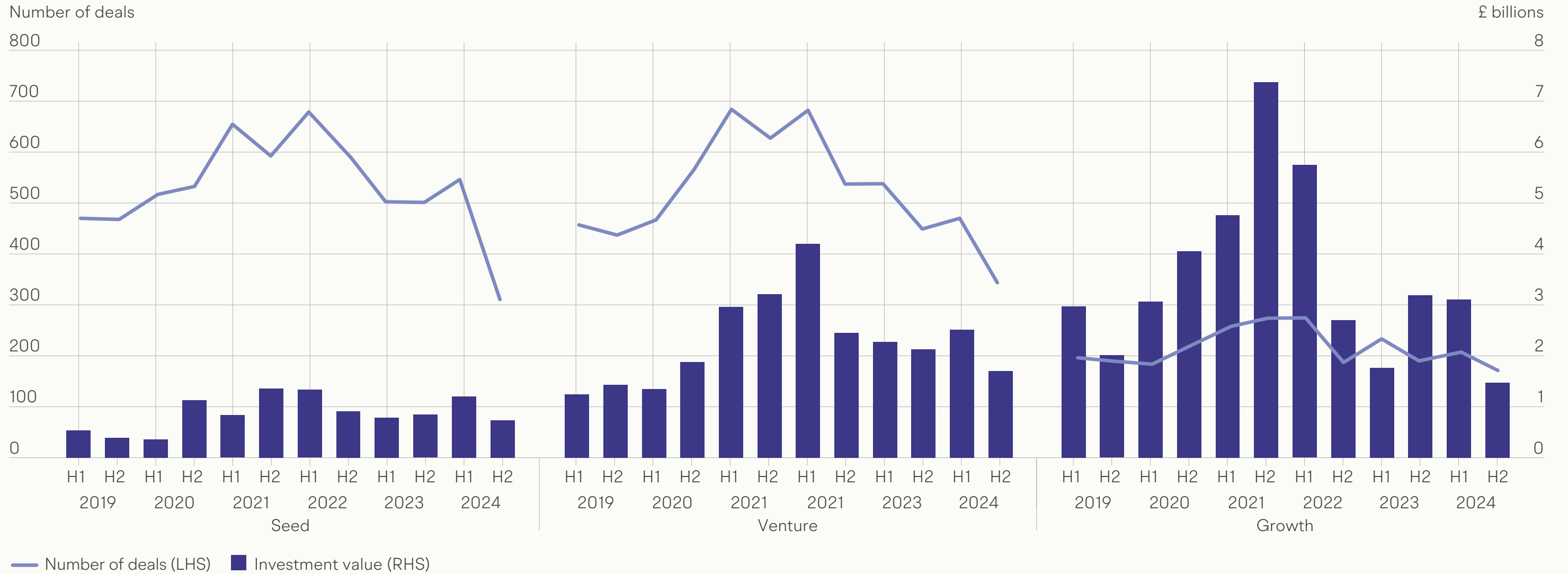
Earlier stages of the market experienced a larger contraction in deal numbers, particularly during the second half of the year

This section explores recent trends in equity finance by stage of company evolution. Beauhurst historically classified UK equity deals into three stages: seed, venture and growth. These stages are determined via a broad array of characteristics of a company’s evolution such as product development, commercialisation, sales and profitability. In 2019, they introduced a new stage called “established”, a subset of the original growth stage. We have combined the “established” category into a single “growth” stage category for both simplicity and consistency with past Equity Tracker reports.

Figure 1.4 displays the number and value of equity deals at each stage by half-year periods. In 2024 seed stage investment rose by 18.4% to £1.97 billion, while the number of deals fell by 14.5% to 858. A majority of deals at the seed stage during 2024 were announced in the first half of the year (547 deals) and this was followed by a 43.1% decline to 311 announced seed deals during the second half of the year.

Figure 1.4
Number and value of equity deals over time by stage

Source: British Business Bank analysis of Beauhurst data



The trend in investment value at the seed stage follows a similar direction of travel. Between the first and second half of 2024, the investment value of announced deals at the seed stage fell by 36.2% from £1.21 billion to £0.77 billion.

At the venture stage, companies received £4.24 billion in investment through 812 announced deals in 2024 (representing declines of 4.6% and 17.2% respectively). Between the first and second half of 2024, the number of announced deals fell by 26.9% from 469 deals in 2024H1 to 343 deals in 2024H2. Correspondingly, venture stage investment fell by 31.3% from £2.51 billion to £1.73 billion between H1 and H2 of 2024.

Growth stage funding fell by 7.5% to £4.61 billion, while the number of deals at this stage fell by 11.5% to 378 deals in 2024. Between the first and second half of the year, the number of growth stage deals fell by 17.4% from 207 to 171 deals. During the same time period, growth stage investment fell by 52.5% from £3.12 billion to £1.48 billion.

Given the significant declines in the number of deals across the UK market over the past two years, it is helpful to compare the current level of 2024 activity

to some key historical benchmarks. These benchmarks include the average level of activity in the 2018-2020 years preceding the market peak, and a longer term historical average over the past decade.

Compared to 2018-2020 levels of activity, the growth stage of the market is currently in a similar position – with deal numbers down by only 1.6%. However, activity at the seed and venture stages are still 11.0% and 10.5% lower than this period preceding the market peak. The speed of this recovery at earlier stages of the market will have future implications for the strength of the pipeline of innovative companies coming through in the UK.

Similar trends are evident when taking a longer term perspective. When compared to the ten-year 2015-2024 average, the number of growth stage deals is only 2.3% below this benchmark. However, the number of deals at seed and venture stage remain notably lower than their historical average (at -12.4% and -9.7% respectively). Overall, this analysis further demonstrates that earlier stages of the market are taking longer to recover to ‘steady state’ levels of activity.

Table 1

Percentage difference in number of equity deals in 2024 versus key benchmarks

Stage	Versus 2018-2020 average	Versus ten-year average
Seed	-11.0%	-12.4%
Venture	-10.5%	-9.7%
Growth	-1.6%	-2.3%
All stages	-9.2%	-9.6%

By using PitchBook’s global database, we can also assess the relative performance of the UK against other competitors (focusing specifically on VC deals here rather than the broader equity market). As shown in figure 1.5, a contraction in VC deal numbers was a global trend in 2024, with other leading markets also experiencing challenges alongside the UK.

While the total number of deals in the US was relatively flat compared to 2023 (-0.3%), across the rest of Europe deal volumes declined by 16.1%. France and Germany both saw larger reductions in deal numbers than the UK, with decreases of 21.0% and 10.2% respectively.

Across deal stages, again UK market performance was somewhere in between that of the US and the rest of Europe (as was the case with investment value). For seed and late stage, the number of deals fell for all three of these markets in 2024 – with the rest of Europe experiencing the most significant declines. At early stage, the US market is further ahead in its recovery (with deal numbers increasing by 7.5%). The UK market saw a fall on this measure but not to the same extent as across Europe.

This international data provides important context when seeking to understand the current health of the UK equity market and its position in the cycle. It emphasises that, despite 2024 being a difficult year for the UK market, the pace of its recovery is still ahead of other European competitors.

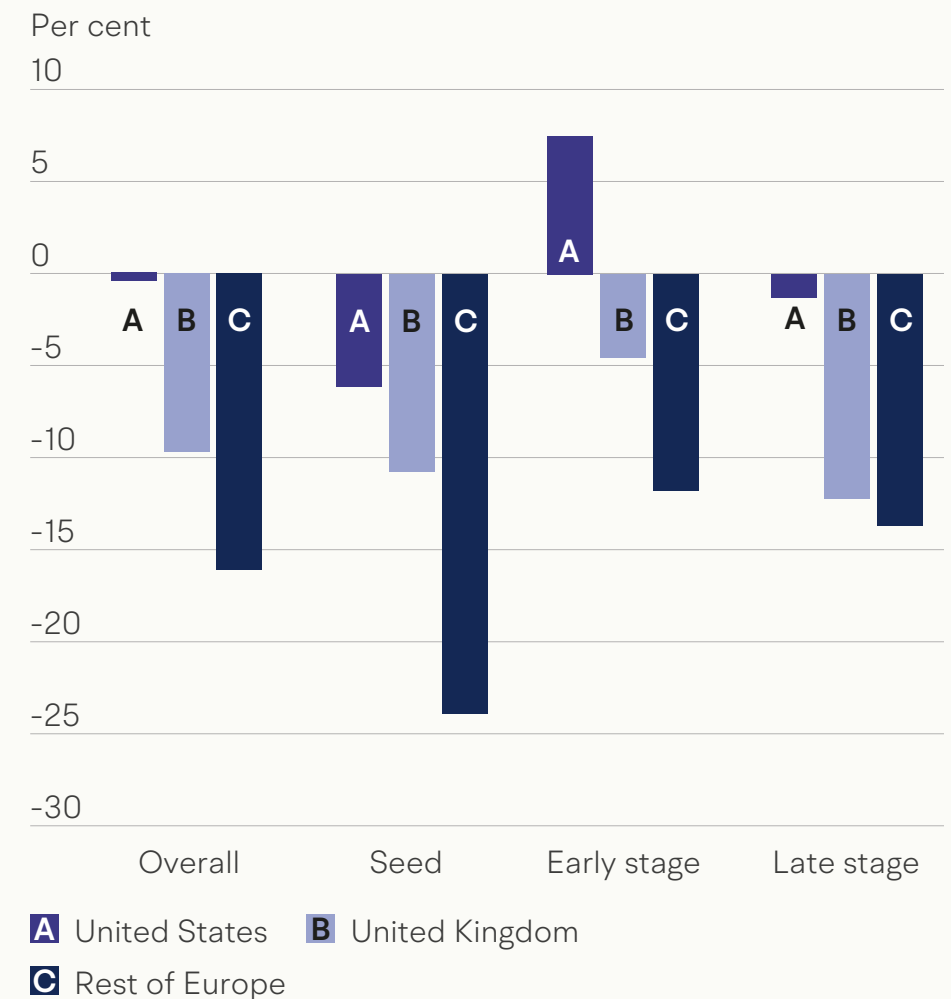
These trends at each company development stage have also resulted in adjustments in the composition of the market, as shown by Beauhurst data. In 2024, the seed stage accounted for 41.9% of the total UK deal count, up from 41.6% in 2023. The proportion of deals at venture stage declined from 40.7% to 39.6%, while the share of growth stage deals increased from 17.7% to 18.5%.

Looking at half yearly trends, the proportion of growth deals has increased relative to seed and venture stage deals, to 20.7% as of H2 2024, up from consistently occupying between a 17% and 18% share of the number of deals by stage across 2023H1, 2023H2 and 2024H1. The proportion of venture stage deals has increased by around three percentage points from 38.3% to 41.6% between 2024H1 and 2024H2. Between the first and second half of 2024, the share of seed stage deals decreased by seven percentage points from 44.7% to 37.7%.

Figure 1.5

Annual change in number of deals by stage in 2024

Source: British Business Bank analysis of user defined PitchBook search. Results may differ from PitchBook’s own published figures.



On an investment value basis, the proportion of investment allocated to seed and venture stage deals has increased – highlighting the trend towards fewer, larger deals in these market segments. Seed stage deals accounted for 18.2% of total equity funding in 2024, its highest share over the past ten years, while the venture stage represented 32.9% of total investment.

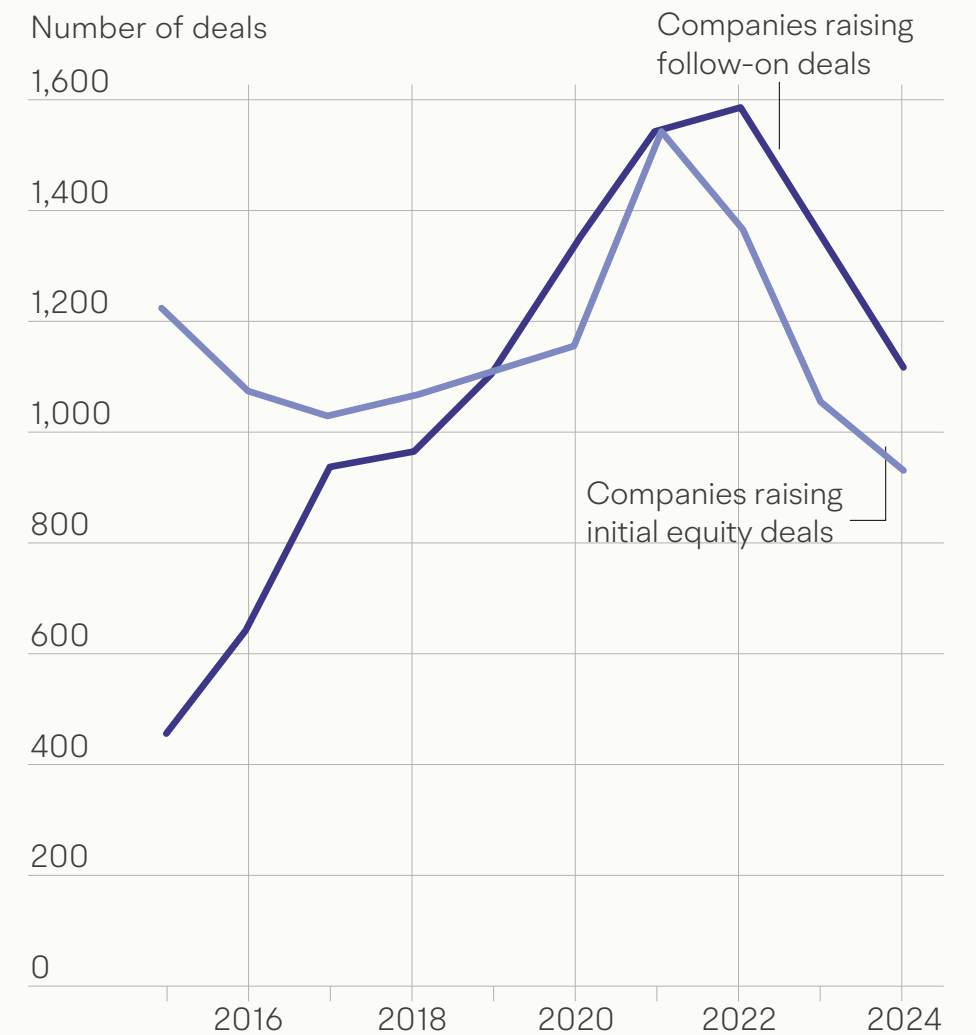
Comparing the first and second halves of 2024, seed stage deals accounted for 19.3% of the total value of investment during 2024H2, up from 17.6% in 2024H1. Announced deals at the venture stage accounted for 43.4% of total investment in 2024H2, up from 36.8% in 2024H1. Conversely, the share of investment allocated to growth stage deals decreased by eight percentage points from 45.6% in 2024H1 to 37.3% in 2024H2.

The next section distinguishes between first-time and follow-on fundraisings. First-time fundraisings provide insight into the strength of the deal “pipeline”. On the other hand, follow-on fundraisings serve as a gauge of whether these companies are scaling up and demonstrating the commercial viability that merits further equity finance.

Figure 1.6 tracks across time the number of announced equity deals broken down into initial equity deals and follow-on deals. In 2024, there were 1,120 follow-on deals, down by 17.2% from 1,353 in 2023. In comparison a total of 928 initial equity deals were announced in 2024, a 12.4% decrease from 1,059 in 2023. While first-time deal trends have been more resilient in 2024, they are down by 39.9% from their recent peak in 2021 (compared to a 29.5% decline for follow-on deals from their 2022 peak).

Figure 1.6
Number of equity deals over time for companies raising initial equity deals and follow-on deals

Source: British Business Bank analysis of Beauhurst data



The last ten years has seen a shift in the proportion of initial equity deals compared with follow-on deals. In 2015, the number of initial equity deals (1,223) was more than 2.5 times greater than the number of follow-on deals at 458. At this point first-time deals accounted for 72.8% of the market. However, the number of follow-on deals reached parity with the number of initial equity deals in 2019 (1,113 and 1,116 respectively).

For the remainder of the period, follow-on fundraisings have occupied a greater proportion of announced equity deals than initial fundraisings, reflecting that the UK equity market has become more mature over time. Follow-on deals accounted for 54.7% of funding rounds in 2024, down slightly from 2023 (56.1%) but higher than the ten-year average of 47.8%.

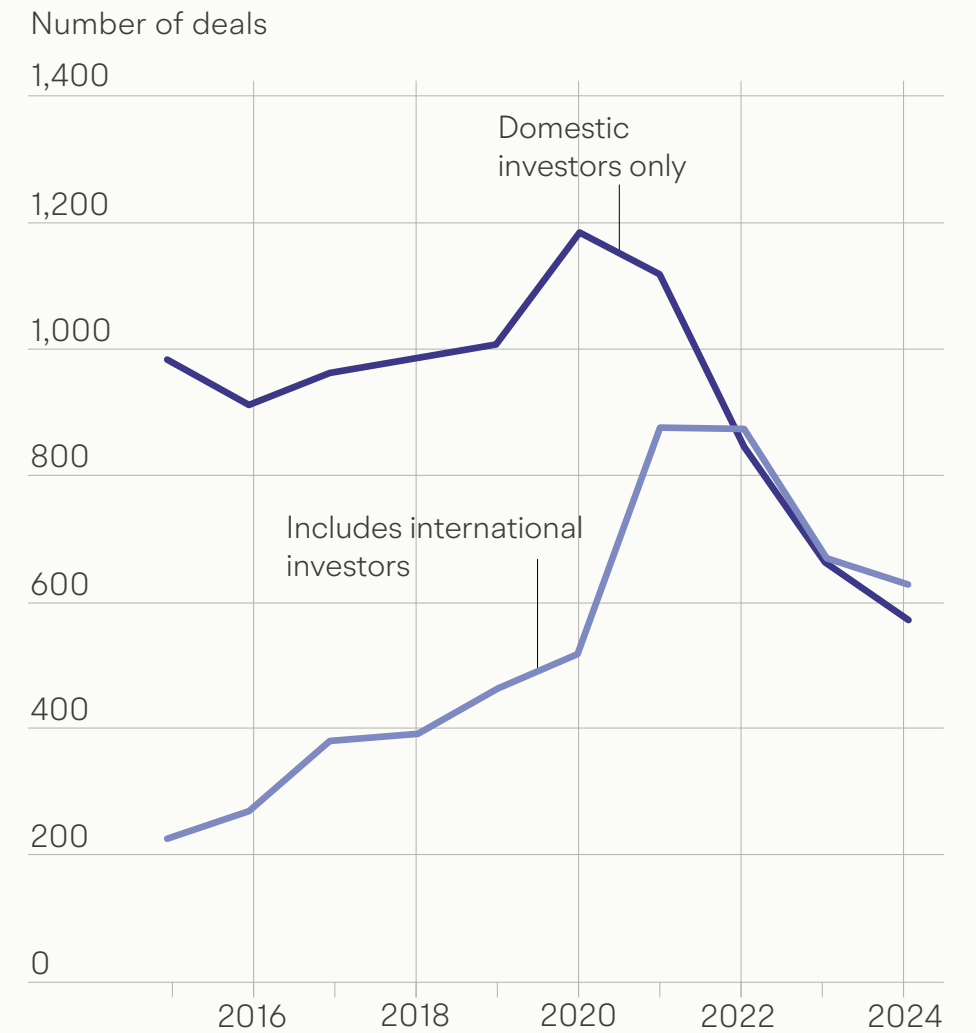
Beauhurst provides the country location of the investors involved in an equity deal. Based on this information, it is possible to identify whether a deal involves one or more overseas investors, and likewise whether the deal solely included domestic UK-based investors. Since location data is not always provided for each investor in a round, and the individual commitment values are not generally disclosed, this analysis is undertaken on a best-efforts basis to provide an indication of the role of overseas capital in the UK market.

Figure 1.7 shows how the number of deals involving a) at least one overseas investor, and b) domestic investors only has changed over time. In 2024, the number of deals involving at least one overseas investor totalled 625. This exceeded the number of deals during the same year involving the presence of only domestic investors (574 deals).

Figure 1.7

Number of equity deals by investor location over time

Source: British Business Bank analysis of Beauhurst data



Overseas-backed equity investment has also been more resilient since the downturn. In 2024 the number of these deals fell by 5.6%, in comparison to a decline of 14.5% for rounds involving only domestic investors. While the number of deals with overseas funding has dropped by only 28.7% since its 2022 peak, deals with UK-only investors have fallen by more than half (-51.5%) since their 2020 peak.

A key driver behind this story is the different trends observed during the peak years of 2021 and 2022. During this time overseas and non-traditional investors (e.g. asset managers and private equity funds) expanded their role in the UK market in search of higher returns in a low interest rate environment globally.

On the one hand this trend has increased the supply of finance and brought experienced investors with specific expertise to the market, while broadening exit routes for UK businesses. However, it has also contributed to

market challenges in retaining successful companies – with firms receiving overseas investment more likely to exit abroad, as explored in detail in our Small Business Equity Tracker 2022 report.⁷

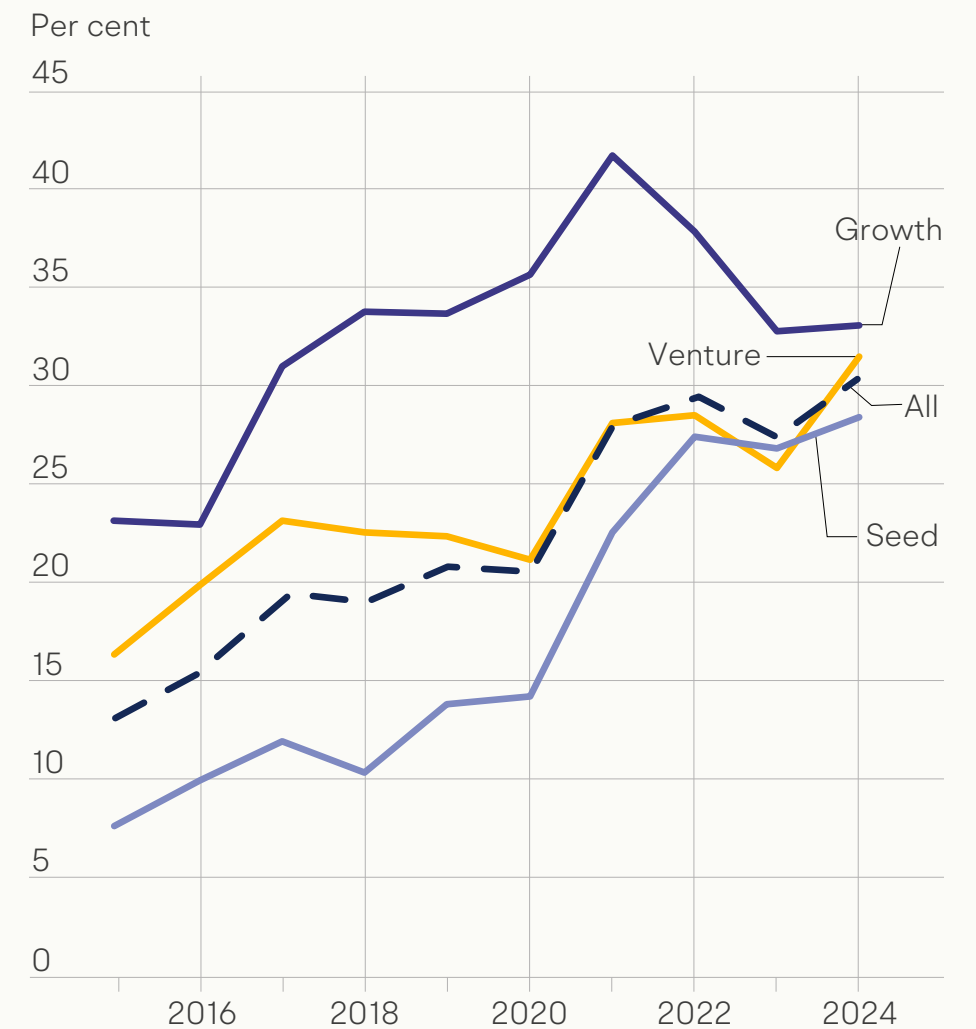
Historically, participation from overseas investors in UK equity deals has been concentrated towards later deal stages, reflecting the larger pools of capital they have available to write large cheques. Figure 1.8 shows the percentage of UK equity deals involving an overseas investor over time, within each stage classification.

In 2015, 7.5% of seed stage deals contained at least one overseas investor, compared to 16.2% for venture stage and 23.2% for growth stage. Over the past ten years, however, activity from international investors has become more distributed by stage. In 2024, 28.4% of deals at the seed stage included the involvement of an overseas investor, more in line with 31.5% at venture stage and 33.1% at growth stage.

Figure 1.8

Proportion of deals involving overseas investors over time by stage

Source: British Business Bank analysis of Beauhurst data



The average deal size rose at each stage of the market, driven by increased investor appetite for the AI sector

The average deal size in the UK equity market was £5.74 million in 2024, a 15% rise from £4.98 million in 2023. This is the third highest annual average on record, behind the levels seen during the peak years of 2021 and 2022. While on an annual basis this suggests some recovery over the past year, the average deal size did decrease from £6.01 million in 2024H1 to £5.32 million in 2024H2 amid more challenging market conditions.

The growth stage saw the smallest percentage increase in average deal sizes in 2024, with a 9.5% rise to £14.6 million. However, when comparing the first and second halves of 2024, the average deal size at the growth stage fell by 37% from £17.3 million in 2024H1 to £11.0 million in 2024H2. The average deal size at the growth stage has remained below the five-year average of £19.1 million in the five successive halves between 2022H2 and 2024H2.

Figure 1.9
Average deal size over time by stage

Source: British Business Bank analysis of Beauhurst data

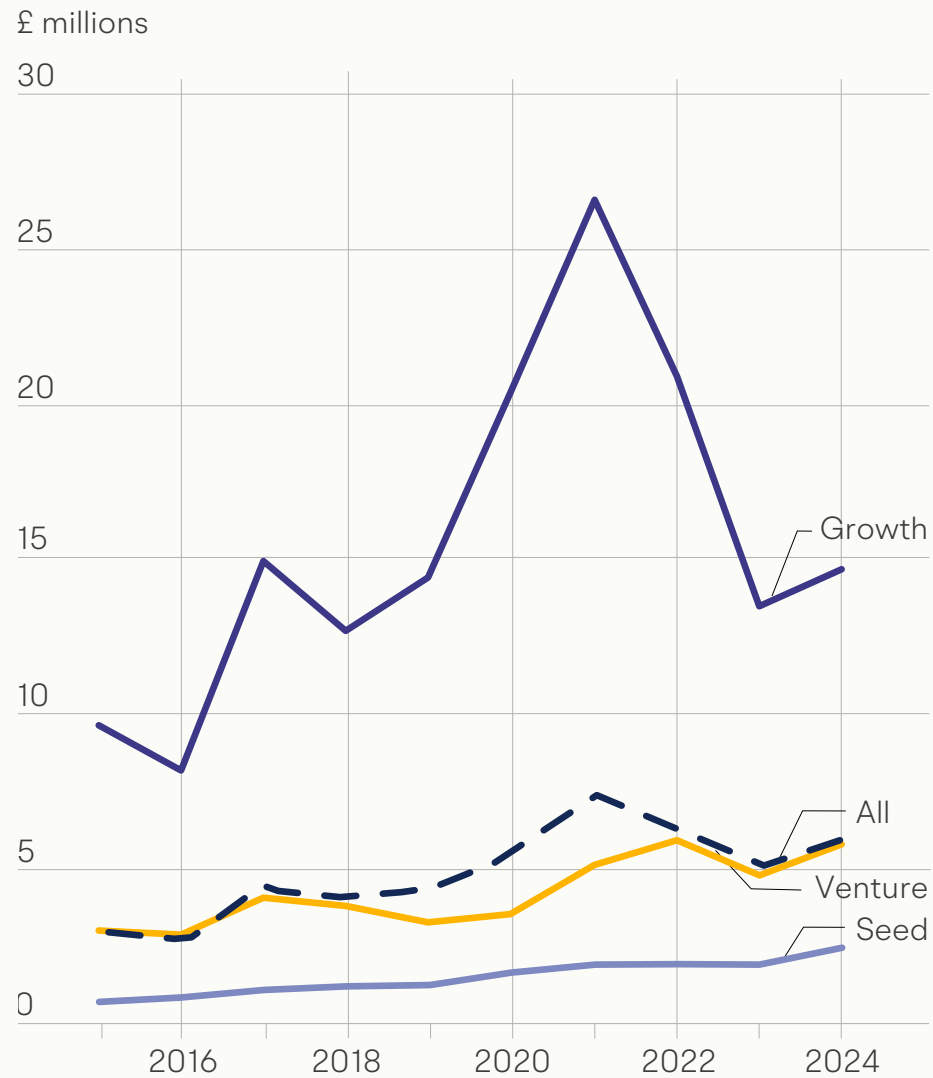
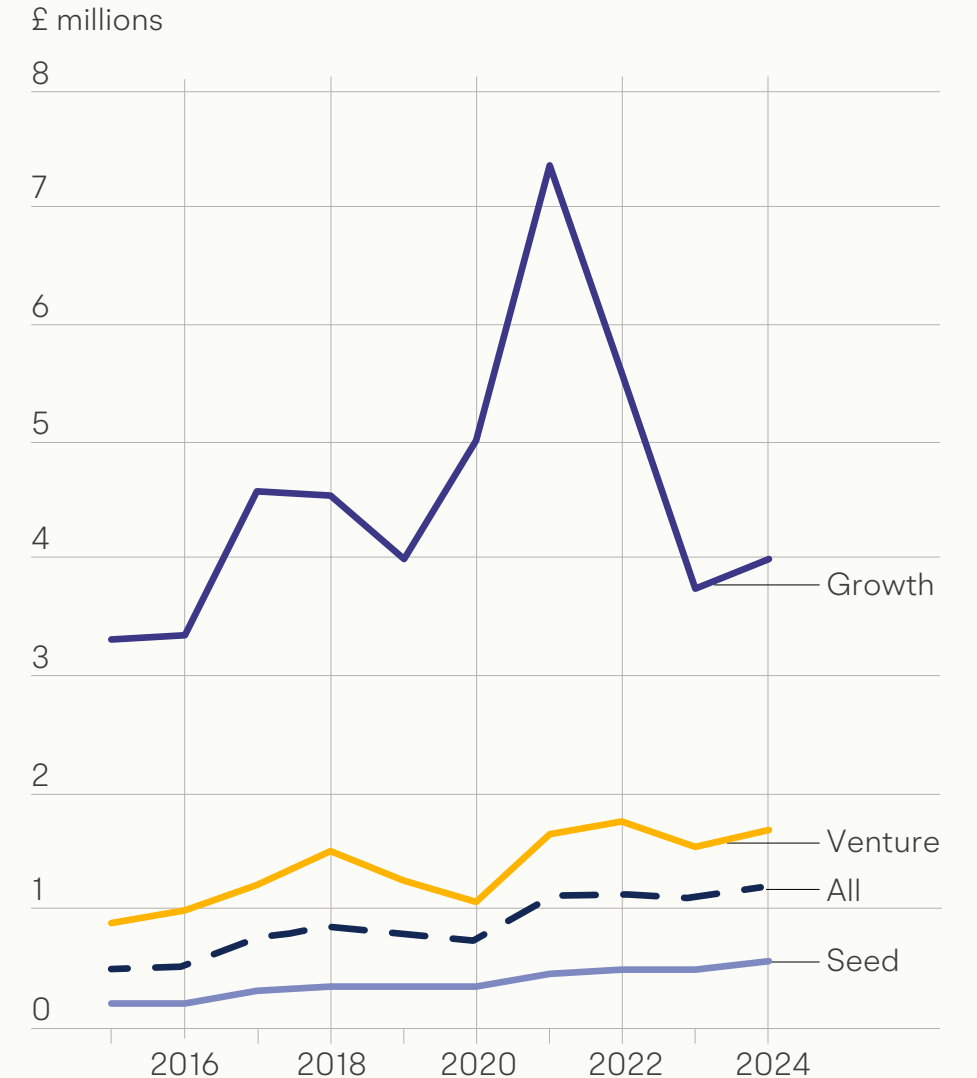


Figure 1.10
Median deal size over time by stage

Source: British Business Bank analysis of Beauhurst data



The average deal size at the venture stage in 2024 was £5.64 million, an 17.6% increase from £4.80 million in 2023. Breaking the year into two halves indicates that the average deal size at the venture stage declined from £5.77 million in 2024H1 to £5.47 million in 2024H2. Despite this, the average deal size at the venture stage in 2024H2 is the second highest of the five successive year halves between 2022H2 and 2024H2.

The seed stage saw the most significant increase in deal sizes over the past year, rising from £1.80 million to £2.41 million. The average deal size rose from £2.30 million in 2024H1 to a record high of £2.59 million in 2024H2. This increase was in contrast to the trends seen at the growth and venture stages between the first and second halves of the year.

These trends indicate that there has been a shift to quality over the past year, with investors participating in fewer deals of higher value, and signs that the best companies can still secure funding in the current environment. The continued growth of the AI sector has also driven larger deal sizes, particularly at later stages. The average AI deal (£8.3 million) was 40% larger than the overall market average, while the average growth stage AI deal (£36.3 million) was 2.5 times higher than the overall growth stage average.

Looking at dealmaking trends, there has also been a significant increase in the share of activity focused towards AI businesses. The sector accounted for 20.5% of UK equity deals and 30.3% of investment value during 2024 – up from 16.4% and 14.7% respectively in 2023 and far higher than levels seen over the past ten years.

Since potential outliers may skew the mean average deal size, a median average can provide a useful lens to assess the typical levels of funding companies receive. On an overall basis, median deal sizes also increased by 4.8% in 2024 to £1.15 million. The median deal size in the UK is now at a record high, marginally above the £1.14 million recorded in 2022, indicating a general recovery in the amount of capital companies are raising over the past year.

The median deal size at the growth stage in 2024 was £4.00 million, increasing by 6.7% from £3.75 million in 2023. Observing the historical time series, the growth stage displays the largest variation and the median deal size in 2024 is 46% below the record high of £7.36 million in 2021. On the other hand, trends in seed and venture stage median deal sizes more closely reflect the directional trends within the wider ecosystem.

At the venture stage, the median deal size in 2024 was the highest on record at £1.68 million, increasing by 8.3% from £1.55 million in 2023. The median deal size at the seed stage has increased steadily from £0.50 million in both 2022 and 2023, to £0.56 million in 2024.

Looking over a longer time period, the median deal size at the seed stage in 2024 was more than three times higher than in 2015.

Valuation metrics capture the anticipated future growth trajectory of innovative businesses, based on how much VC investors are willing to pay for an equity stake. Looking at the average pre-money valuation of companies across the market, and breaking down this measure by stage, therefore provides helpful insight into investors' current appetite and the commercial potential of companies in the UK.

The latest data shows that there was some recovery on this measure on an overall basis in 2024. The average pre-money valuation was £20.4 million in 2024, up by 5.4% from £19.3 million in 2023. In addition, the average pre-money valuation rose from £20.2 million in 2024H1 to £20.7 million in 2024H2. However, valuations are still around half the levels seen during the highs of 2021, when the overall average company pre-money valuation was £40.2 million.

While overall average valuations rose between 2023 and 2024, this masks some significant differences between individual stage subcategories. For example, between 2023 and 2024, the average seed stage pre money valuation declined slightly from £5.7 million to £5.6 million, while venture stage pre money valuations fell from £17.2 million to £16.4 million. In contrast, pre money valuations at the growth stage rose by 27.4% from £60.0 million to £76.5 million.

These trends indicate that, following two successive years of sharp declines, the growth stage is now seeing some recovery and increased appetite from investors. As has been the case in other leading markets, companies in the AI sector have been driving this increase.

The average pre-money valuation for growth stage AI deals was £150 million in 2024, more than double the 2023 average (£71.3 million) and almost double the overall growth stage average in 2024. High profile AI businesses Wayve and Synthesia were valued at £1.4 and £1.3 billion respectively as part of their financing rounds in 2024.

Figure 1.11

Average pre-money valuation over time by stage

Source: British Business Bank analysis of Beauhurst data

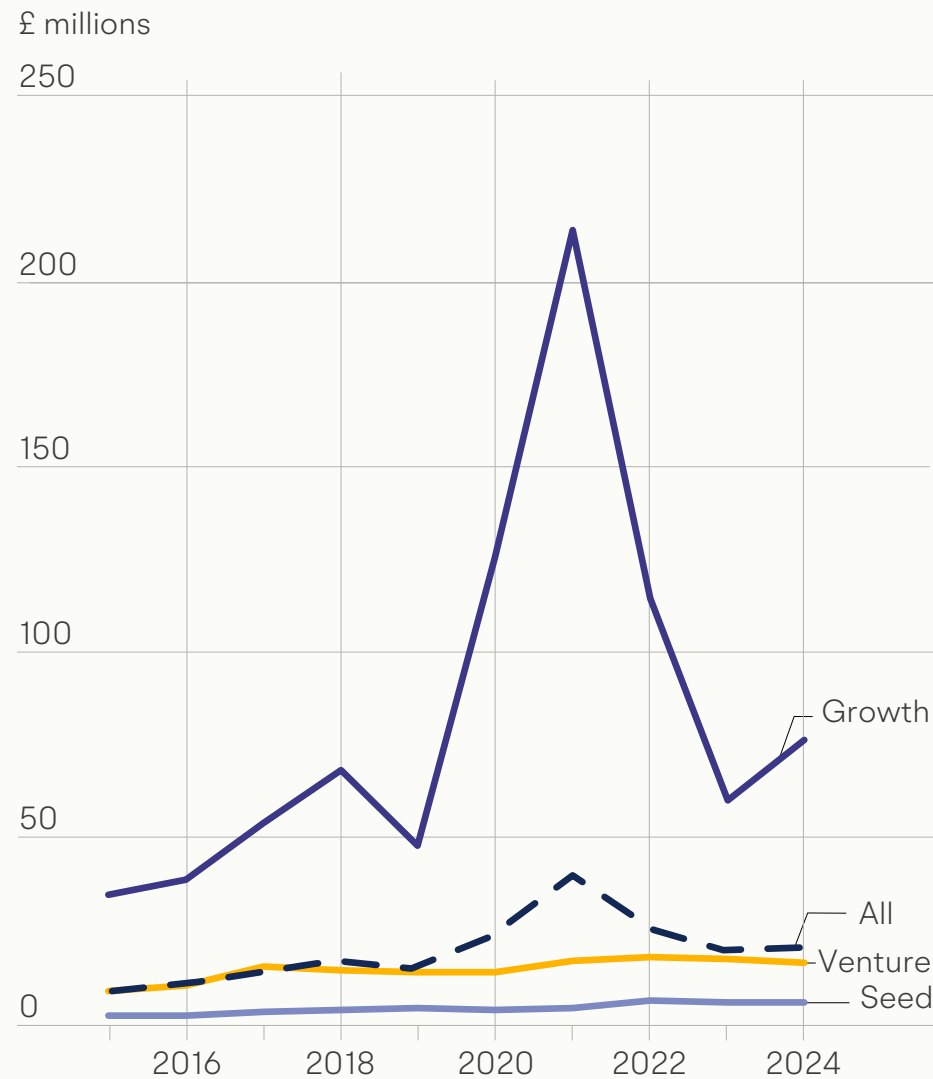
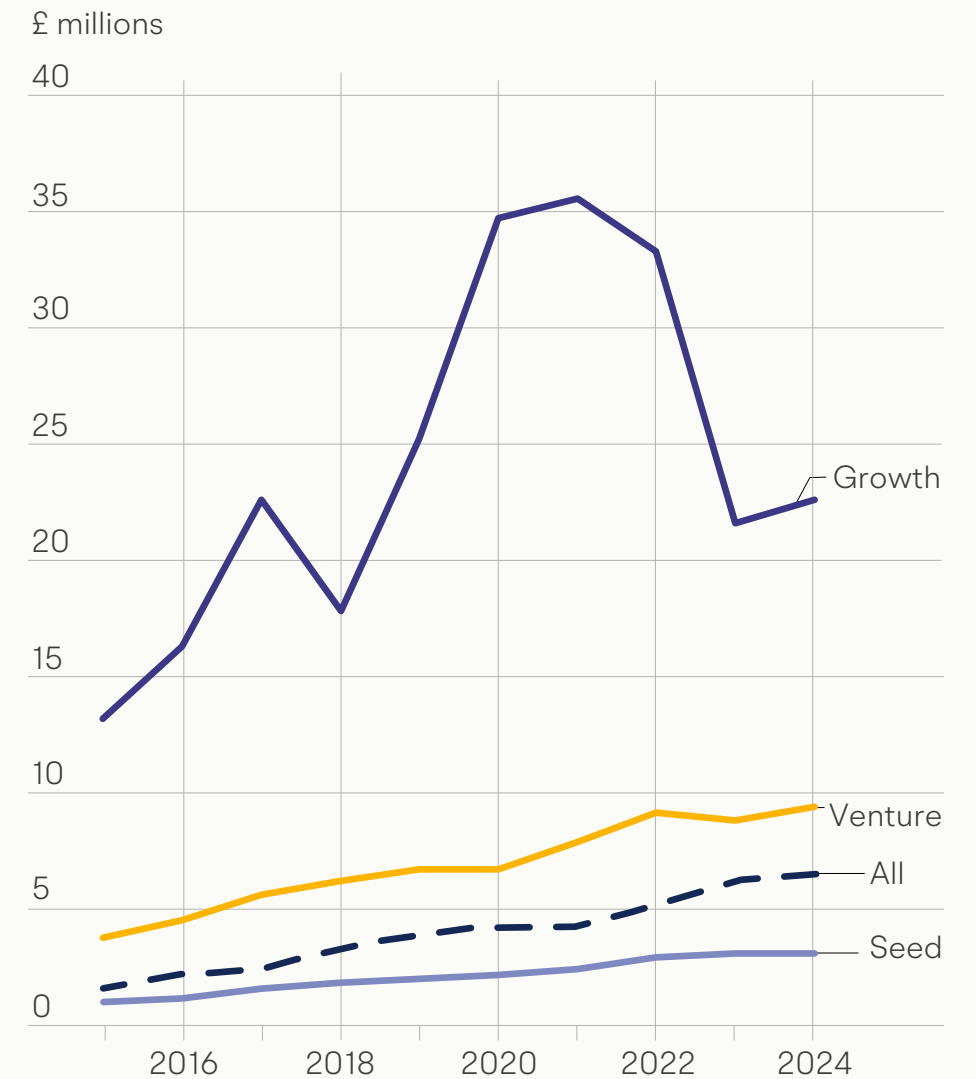


Figure 1.12

Median pre-money valuation over time by stage

Source: British Business Bank analysis of Beauhurst data



As with equity deal sizes, mean average pre-money valuations can be significantly influenced by a small number of outlier companies. For example, the cross section for the year 2021 contains a noteworthy spike in growth stage average valuations, and upon closer inspection can be attributed to megadeals such as Revolut valued at £25 billion. Therefore, mean average valuation figures do not necessarily reflect the performance of the majority of reflective companies within each stage category. As a result, it is useful to look at median pre-money valuations as displayed in Figure 1.11.

On this median basis, valuations demonstrated a broad-based recovery during 2024. The median pre-money valuation across the overall equity market was £6.42 million, a 5.2% increase from £6.11 million in 2023. This was driven by a 6.9% increase in venture stage valuations, from £8.76 million to £9.36 million at the median. Growth stage valuations rose by 4.9% to £22.65 million, while seed stage valuations saw a smaller increase of 1.4% to £3.04 million.

Below we will be taking a closer look at a specific sample of high-growth companies classified as unicorns. To be included in our definition of unicorn companies are required to meet three main characteristics: the companies are privately held, they have received venture capital backing during at least one of their funding rounds, and their valuation has surpassed the \$1 billion dollar mark. To count as a UK unicorn the company has to have been founded in the UK.

Our definition therefore excludes companies such as GymShark which have a valuation over \$1bn but have received solely private equity funding. Additionally, we only classify companies as such if we have been able to confirm their valuation through a commercial data provider. Companies whose valuations are only reported by the media and lack verification are not included in our list.

Table 2 shows that as at May 2025, the UK had 39 companies with unicorn status. 56% have been backed by a BBB equity programme, and almost two thirds (62%) of these companies had either secured equity finance or had been otherwise supported by the British Business Bank. This demonstrates the crucial role played by the Bank's equity programmes in supporting the growth of high-potential scale-up companies.

Given challenging market conditions over the past year it is unsurprising that the number of current UK unicorns has stayed relatively stable. Some key additions have been Synthesia, a London-based AI company operating in the media sector and Cera, a life sciences business also located in London.

Last year's Small Business Equity Tracker 2024 report investigated how the UK compares internationally for unicorn creation. While it ranked fourth globally with 3.6% of global unicorns created between 2021-2023, this share is relatively low when compared to its share of VC deals (7.0%) and investment value (5.8%).

Table 2

Current UK unicorn status businesses (as of May 2025)

Source: British Business Bank analysis of PitchBook & Beauhurst data

Count	Name	Location	Sector	Date of unicorn status	BBB involvement
1	Beamery	London	SaaS	Tuesday, 13 December 2022	Managed Funds
2	Blockchain.com	London	Fintech	Wednesday, 24 March 2021	None
3	Brewdog	Ellon	Beverage manufacturing and distribution	Sunday, 9 April 2017	None
4	Castore	Manchester	Sports equipment and apparel	Wednesday, 20 September 2023	Start Up Loans recipient
5	Cera	London	Life sciences	Monday, 13 January 2025	None
6	Checkout.com	London	Fintech	Thursday, 2 May 2019	Managed Funds
7	CMR Surgical	Cambridge	Life sciences	Tuesday, 17 September 2019	None
8	Copper	London	Fintech	Monday, 25 July 2022	BPC and Managed Funds
9	ElevenLabs	New York	Artificial Intelligence	Monday, 22 January 2024	BPC and ECF
10	Gelato	Oslo	Printing	Monday, 16 August 2021	ECF
11	GoCardless	London	Fintech	Monday, 9 May 2022	BPC, ECF, Managed Funds and UKIIF
12	Improbable	London	Gaming	Thursday, 11 May 2017	ECF
13	Isomorphic Labs	London	Life sciences	Monday, 31 March 2025	None
14	Lendable	London	Fintech	Thursday, 10 March 2022	Managed Funds

Table 2 (continued)

Current UK unicorn status businesses (as of May 2025)

Source: British Business Bank analysis of PitchBook & Beauhurst data

Count	Name	Location	Sector	Date of unicorn status	BBB involvement
15	ManyPets	London	Insurtech	Thursday, 27 May 2021	Managed Funds
16	Marshmallow	London	Insurtech	Thursday, 12 August 2021	ECF
17	Matillion	Manchester	Data integration	Wednesday, 15 September 2021	None
18	Monzo	London	Challenger bank	Wednesday, 31 October 2018	Managed Funds
19	Multiverse	London	Educational services	Wednesday, 8 June 2022	Managed Funds
20	Oaknorth	London	Challenger bank	Thursday, 12 October 2017	Bank Delivery Partner: Help to Grow and Covid loan schemes
21	Paddle	London	SaaS	Tuesday, 10 May 2022	BPC
22	Quantexa	London	Artificial Intelligence	Tuesday, 4 April 2023	BPC and Managed Funds
23	Rapyd	London	Fintech	Tuesday, 1 October 2019	Managed Funds
24	Revolut	London	Fintech	Wednesday, 25 April 2018	BPC, Managed Funds and UKIIF
25	SaltPay (Teya)	London	Fintech	Saturday, 1 January 2022	None
26	Snyk	Boston, MA	Cybersecurity	Tuesday, 21 January 2020	BPC and Managed Funds
27	Spectrum Medical	Gloucester	Life sciences	Monday, 18 July 2022	None
28	Stability.AI	London	Artificial Intelligence	Wednesday, 5 October 2022	None

Table 2 (continued)

Current UK unicorn status businesses (as of May 2025)

Source: British Business Bank analysis of PitchBook & Beauhurst data

Count	Name	Location	Sector	Date of unicorn status	BBB involvement
29	Starling Bank	London	Challenger bank	Monday, 19 April 2021	None
30	SumUp	London	Fintech	Thursday, 23 June 2022	None
31	Synthesia	London	Artificial Intelligence	Wednesday, 15 January 2025	BPC and Managed Funds
32	Thought Machine	London	Fintech	Monday, 29 November 2021	BPC
33	Tripledote Studios	London	Gaming	Monday, 14 February 2022	None
34	TrueLayer	London	Fintech	Tuesday, 21 September 2021	None
35	Wayve	London	Autonomous cars	Tuesday, 1 February 2022	BPC and Managed Funds
36	Zego	London	Fintech	Wednesday, 10 March 2021	BPC
37	Zepz	London	Fintech	Monday, 23 August 2021	None
38	Zilch	London	Fintech	Wednesday, 10 November 2021	None
39	Zopa	London	Peer to peer lending	Monday, 11 October 2021	BPC

Scotland, the North West and the East Midlands all saw annual growth in both investment value and deal numbers

Table 3 shows the number and value of announced equity deals in 2024 across the English regions and devolved nations. While London maintained the top position in terms of both number and value of equity deals, it was less resilient than the overall UK market in 2024. Compared with 2023 the number of announced equity deals in London fell by 21.3%, a greater percentage change than the UK as a whole where the number of deals fell by 15.1%. The value of investment in London-based companies fell by 3.5%, whereas the UK as a whole experienced a 2.5% decline.

London's dominance of the UK equity market reduced slightly in 2024. The share of deals being deployed in the capital was 47.1% in 2024 (down from 50.8% in 2023) while the proportion of investment was 61.2% – a reduction from 61.9% in the previous year and 73.3% in 2020. Factors which may have influenced this include wider trends, such as digitisation and remote/hybrid working, as well as support provided through the Bank's regional programmes (explored in more detail in chapter two).

Table 3

Number and value of announced equity deals by nation and region

Source: British Business Bank analysis of Beauhurst data

Nations and English regions	Number of deals (2024)	% change vs 2023	Investment value £m (2024)	% change vs 2023
London	965	-21.3%	6,626	-3.5%
Scotland	201	13.6%	507	28.3%
South East	165	-25.0%	768	-23.8%
North West	146	11.5%	654	46.2%
East of England	129	-26.3%	980	-20.1%
South West	115	-11.5%	314	-17.2%
Wales	74	7.2%	113	-12.1%
Yorkshire and the Humber	68	-18.1%	248	14.1%
North East	63	8.6%	141	-8.1%
East Midlands	55	7.8%	91	26.1%
West Midlands	43	-36.8%	301	141.9%
Northern Ireland	24	0.0%	78	-1.8%
UK	2,048	-15.1%	10,822	-2.5%

On a deal numbers basis, the most notable percentage increase was in Scotland where the number of deals rose by 13.6% to 201 deals in 2024. In turn, investment value in Scotland rose by 28.3% to £507 million. However, while Scotland experienced the largest percentage increase on a deal numbers basis, the largest percentage increase in investment value occurred in the West Midlands, which saw an increase of 142% to £301 million in 2024. This was largely driven by a £200 million funding round for housebuilding company Harper Crewe.

The North West and East Midlands also performed strongly in 2024. The North West saw the second highest growth rates for both deal numbers and investment value during the year (at 11.5% and 46.2% respectively), while the East Midlands was also one of only three regions or nations that experienced an annual rise on both of these measures.

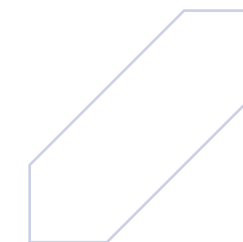
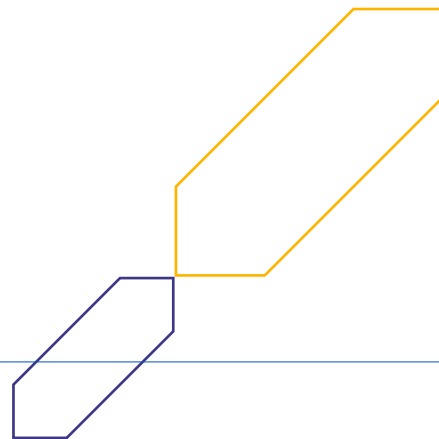
Investment in university spinouts was resilient in 2024, and these companies now account for 17% of total equity funding

While equity-backed companies are typically innovative by nature, spinout companies are an avenue through which universities and founders can commercialise advanced academic research – for example in cutting edge sectors such as deep-tech and life sciences.

Beauhurst define an academic spinout as a company that was established to exploit intellectual property (IP) developed by a recognised university, and then either licenses the IP from the university, or the university owns or has the option to purchase shares in the company. University staff and students, therefore, can create start-ups falling outside this definition although the companies themselves could otherwise be similar in nature.

Figure 1.13 tracks the number and value of university spinout deals over time.⁸ In 2024, spinout deals accounted for £1.86 billion in equity investment across 243 deals. Looking at annual growth, the spinout sector has been notably more resilient than the overall equity market. Investment value increased by 3.6% (versus a 2.5% decline for the wider market), while the number of deals fell by only 0.8% (compared with the wider 15.1% decrease).

As a result, spinout deals made up 11.9% of the total deal count in 2024, which is the highest share on record and up from 10.2% in 2023. University spinouts' share of the market has also risen on a value basis from 16.2% to 17.2% – up substantially from its recent trough of 8.5% in 2020. In addition, the average size of spinout deals increased from £7.7 million in 2023 to £8.0 million in 2024 (above the wider market average of £5.7 million), reflecting investors' increased focus on quality and also the capital intensive nature of these businesses.



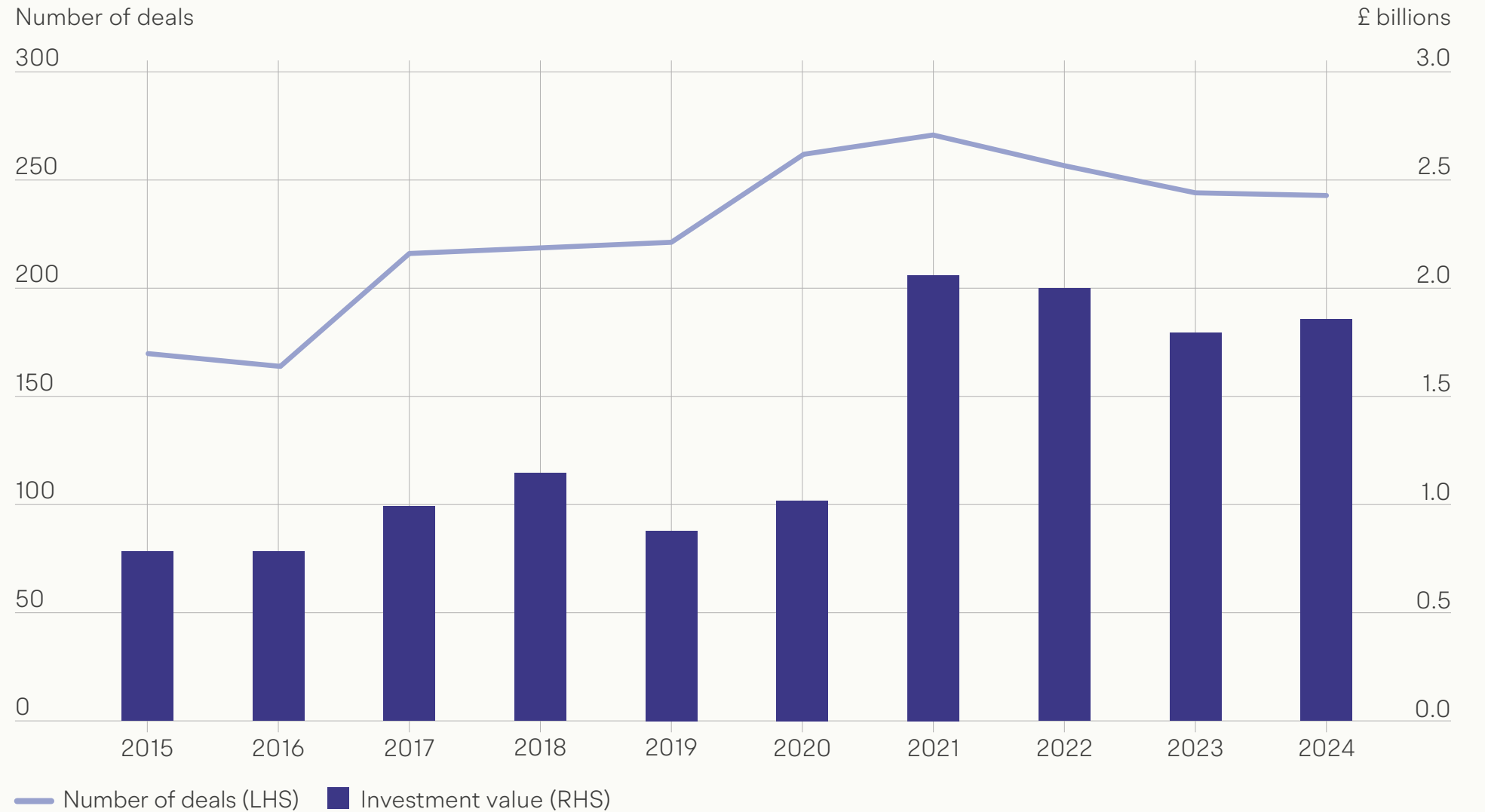
By academic institution, spinouts from the University of Cambridge raised the most deals in 2024 (34 deals). This was followed by both the University of Edinburgh and University of Oxford raising the joint second highest number of deals (18 deals). University College London (UCL) raised 11 deals and the University of Glasgow raised 10 deals. This is further evidence that the Golden Triangle and Scotland are leading UK areas for producing breakthrough technology companies.

More broadly across technology areas, in 2024 the overall tech sector experienced a 12.7% decline in deal numbers to 824 deals, and a 5.6% increase in investment value to £5.5 billion – demonstrating stronger performance than the wider market on a relative basis. The sub-sectors that saw the highest growth in investment during the year were medical technology (81.1%), software (28.4%) and life sciences (6.7%). There was a fall in both deal value and deal numbers in the cleantech sub-sector, of 41.7% and 11.8% respectively.

Figure 1.13

Number and value of university spinout deals over time

Source: British Business Bank analysis of Beauhurst data



While companies with at least one female founder accounted for 28% of deals in 2024, all-female teams still only receive 2% of investment

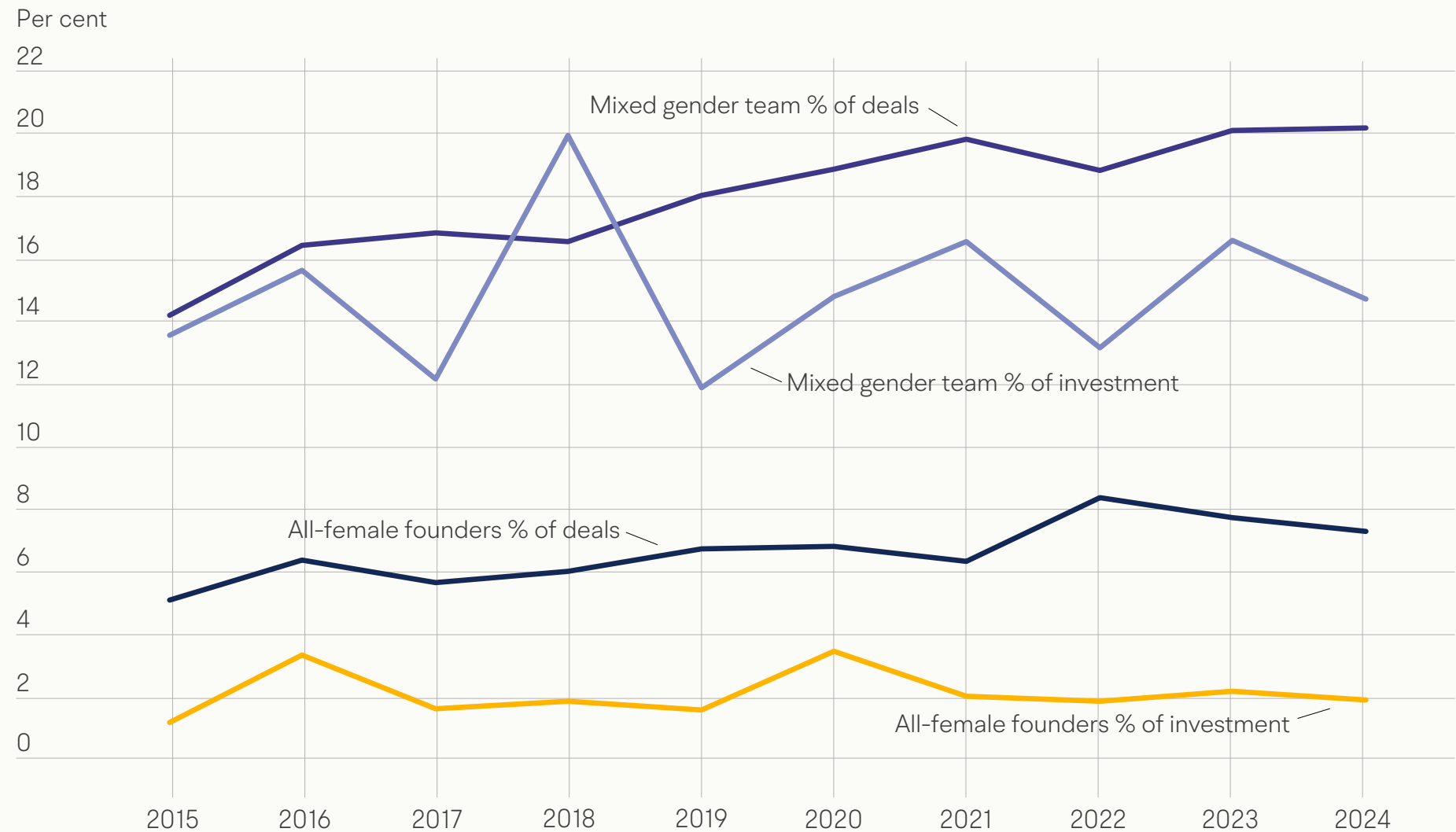
This section takes a closer look at equity market trends by gender, to assess the extent to which female-led and mixed founder teams face continued challenges in accessing finance. Fostering an inclusive equity ecosystem is imperative, particularly since women and individuals from minority ethnic groups have historically been underrepresented in the VC industry. To enable this analysis, Beauhurst gathers data around the gender makeup of companies' founding teams and also their key employees (i.e. senior management teams).

As shown in figure 1.14, all-female founder teams raised 7.3% of UK equity deals in 2024. This represents a slight decrease from 7.7% in 2023. The share of total equity investment received by all-female founder teams fell from 2.2% in 2023 to 1.9% in 2024. It is likely that recent megadeals in the AI sector are exacerbating these trends on a value basis. In absolute terms, all-female teams raised £190 million through 140 equity deals in 2024, whereas all-male founder teams raised £8.33 billion through 1,390 deals.

Figure 1.14

Proportion of equity deals and investment received by all-female and mixed gender founder teams

Source: British Business Bank analysis of Beauhurst data



Over the past decade mixed gender founder teams have gained an increased share of total equity deals, increasing steadily from 14.2% in 2015. In 2024 this increased slightly to 20.2%, from 20.1% in 2023. However, both the share of deals and funding raised by all-female founder teams has remained relatively flat over the past ten years.

Figure 1.15 displays the proportion of deals and investment raised by teams comprised of at least one female founder (all-female and mixed gender teams combined). In 2024, teams with at least one female founder received 27.5% of total equity deals, down slightly from 27.9% in 2023. Despite this, the share of deals received by these teams remains the second highest on record.

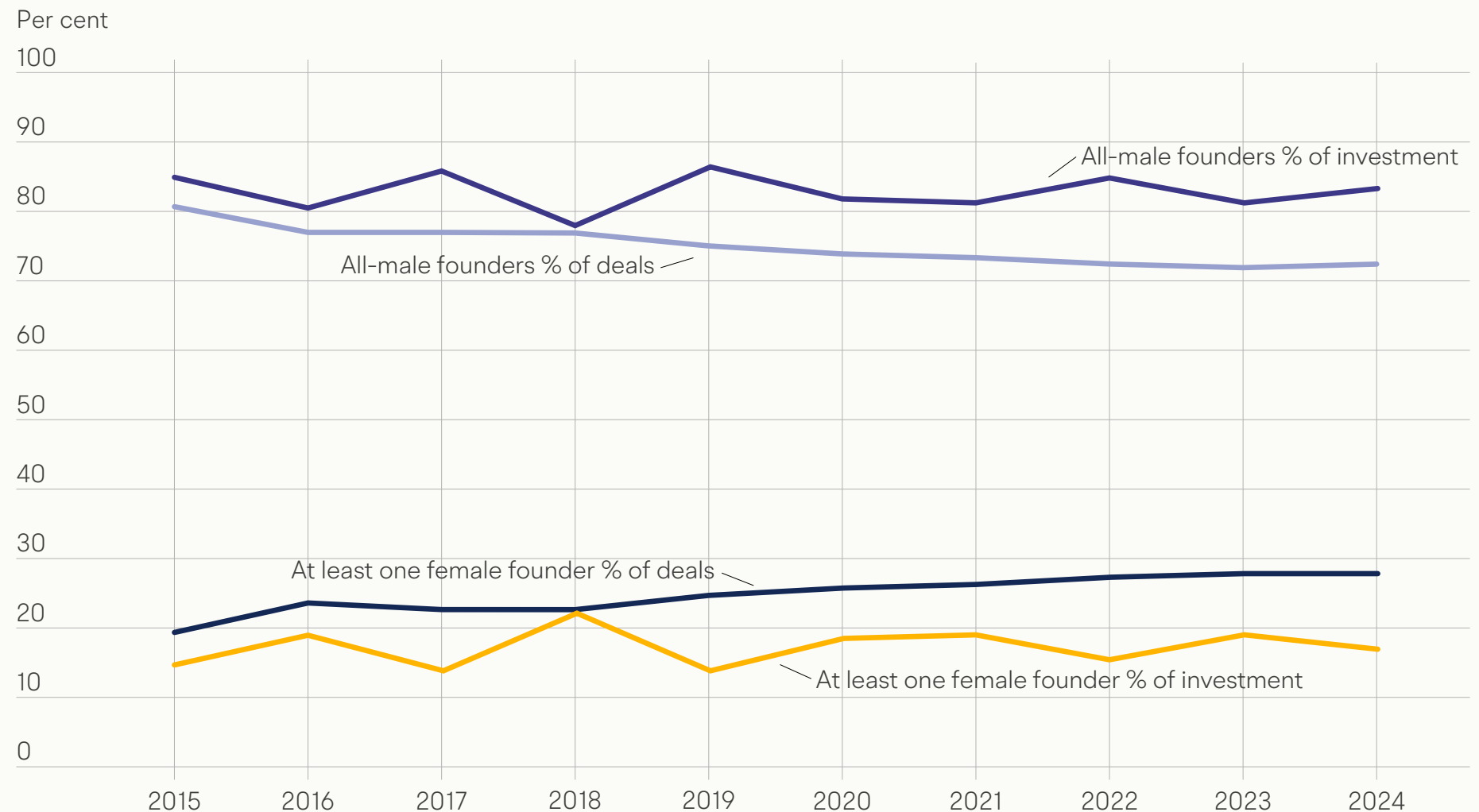
Nonetheless, 527 equity deals involving teams with at least one female founder in 2024 equates to less than 40% of the number of deals raised by all-male teams (1,390 deals). During the same year, teams with at least one female founder received 16.6% of total equity investment, down from 18.8% in 2023, and below the average share over the previous ten years of 17.0%.

Female-founder teams continue to raise smaller deals on average, and compared alongside all-male and

Figure 1.15

Proportion of equity deals and investment received by all-male teams and teams with at least one female founder

Source: British Business Bank analysis of Beauhurst data



mixed gender teams, have a lower likelihood of receiving follow-on funding. Figure 1.16 shows the round progression rates for a cohort of companies that raised their first announced equity deal during the three-year period between 2014 and 2016. Throughout this period, 226 deals were recorded for all-female founder teams.

Following raising their first round of funding, only 37% of female-founder teams raised a subsequent round of financing, whereas this figure was 53% for all-male founder teams and 56% for mixed-gender founder teams. Moving to the end of the funnel, only 1.8% of all-female companies securing an initial round of equity finance raised a seventh round.

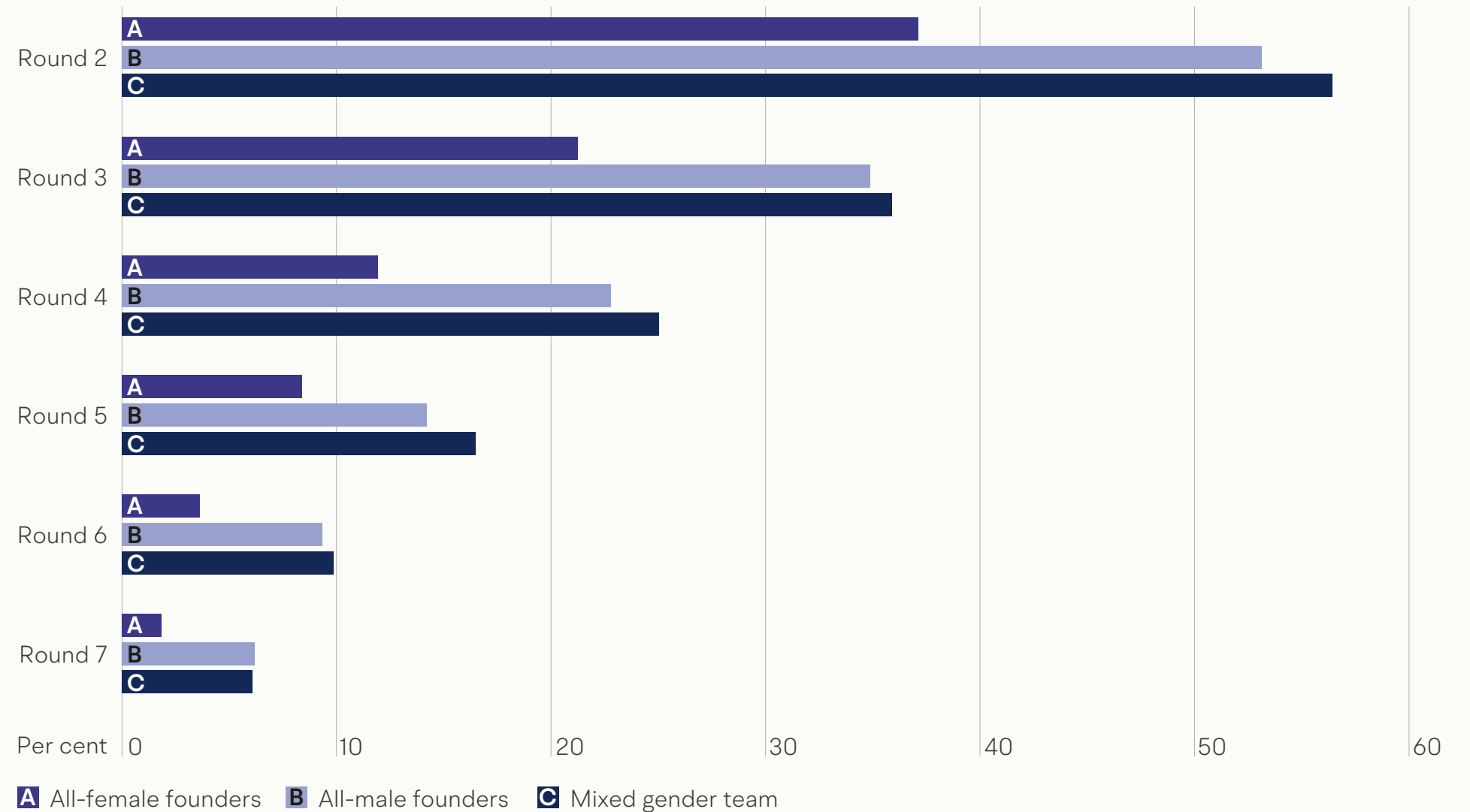
While exit opportunities remain limited for UK companies, there has been a slight upturn in activity since last year

A stagnant exit environment has been a key challenge for the global VC market since the market downturn in 2022. A lack of appetite for corporate acquisitions, as well as very subdued public market listings, has limited the ability of fund managers to convert the unrealised value of their investments into realised gains.

Figure 1.16

Proportion of companies raising a follow-on round by gender of founder team

Source: British Business Bank analysis of Beauhurst data



This has reduced their ability to generate returns for LPs and, as a result, attract additional capital for new funds.

The latest PitchBook data shows that there were a total of 223 exits involving UK VC-backed companies in 2024. While this was 2.6% lower than the 2023 annual total, there has been a general upward trend in quarterly volumes since the market bottom in 2023Q4. The number of exits is also now materially higher than before the market peak, when an annual average of 156 exits were recorded between 2018 and 2020.

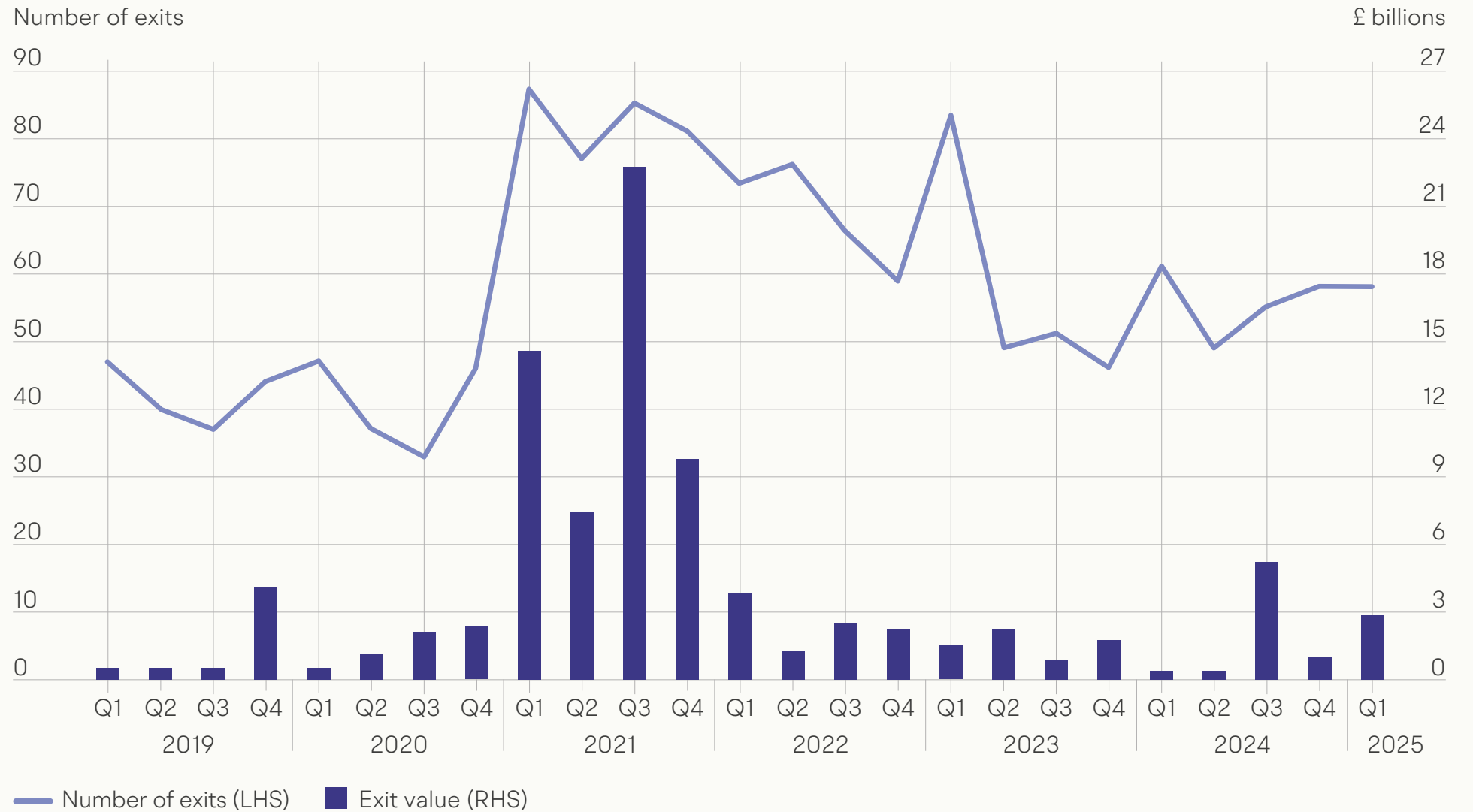
The value of exits from UK VC-backed companies totalled £6.9 billion in 2024, which was an 8.1% increase in comparison to 2023 levels. Exit trends are particularly prone to volatility as a result of outlier deals, and 2024 was no exception. There were three very large exits during the year – a £2.4 billion acquisition of London-based biotech company EyeBio, a £1.6 billion listing of Rezolve AI on the NASDAQ stock exchange, and a £730 million acquisition of Cambridge-based cybersecurity company Featurespace.

Comparing UK exit trends internationally, annual growth in the number of exits across the US and rest of Europe was 3.8% and -8.2% respectively. As was the case with VC dealmaking in 2024, this again shows that the UK

Figure 1.17

Quarterly number and value of UK VC-backed company exits

Source: British Business Bank analysis of user defined PitchBook search. Results may differ from PitchBook’s own published figures.



performance has been behind the global leader but ahead of other European competitors. However, the number of UK exits remains 32.4% below its peak of 2021, lower than the rest of Europe (-16.9%) but ahead of the US (-40.7%).

An area of the market which has experienced some recovery recently is VC fundraising. The value of closed UK VC funds increased by 39% to £6.08bn during the full year 2024, the first increase in fundraising since 2021. The number of funds closed remained relatively stable, falling slightly from 50 funds to 45 funds in 2024.

The Bank's Small Business Finance Markets 2025 report⁹ highlighted that, given macroeconomic uncertainty, it is possible that LPs are concentrating their funding in larger or more experienced fund managers with an established track record. For example, the median fund size in the UK increased to a record high of £69.5m in 2024, up from £50.0m in 2023 and £43.0m in 2022. In addition, the number of first time funds remains low, with only 16 closing in 2024 and 13 in 2023 (compared to a ten-year historical annual average of 30).

Based on fund-level data from Beauhurst, the report also found that the number of unique active funds in the market remains in decline. Combining all investor types together, a total of 700 funds backed at least one announced equity deal in 2024, a 10.6% fall from 2023 and a 19.9% reduction from the peak in 2021.

The trend has been slightly worse for PE/VC funds specifically, where the number of funds fell by 14.3% in 2024. So, while there have been some positive recent signs for overall UK fundraising, there has yet to be a broader-based recovery in unique active investors.

In its 2024 US Venture Monitor Report¹⁰, PitchBook highlighted that the trend of capital concentration was also evident in the US: "During 2024, 30 firms raised at least \$500 million in new commitments, which accounted for 68% of the total new commitments raised. All but four of those firms are established, highlighting the dichotomy of the fundraising market in today's market. Just \$15 billion has been raised by emerging managers, which is the lowest total since 2015."

The UK has a 10% overall investment gap with the US, with more acute gaps in Industrial Strategy sectors

Based on the latest three-year average for 2022-2024, UK VC investment now represents 0.68% of GDP. This is slightly below the equivalent proportion in the US (0.73%), meaning that the US deploys 1.1x or 10% more funding on a GDP-adjusted basis. However, this gap has narrowed over time – between 2019-2021, the US ratio was 1.3x higher than the UK's at around one percent of GDP.

Looking at growth between these two time periods, UK VC investment has increased by 9.7% while US funding has fallen by 6.5%. The US had a particularly sharp decline in activity during 2022 of 28.5% (versus only a 5.2% fall in the UK), as higher inflation and interest rates led to a re-assessment of asset valuations. The narrowing of the GDP-adjusted investment gap between the UK and the US has also been driven by stronger economic growth in the US and a fall in the exchange rate, although these have been secondary factors.

On a deal stage basis the UK performs in line with the US in deploying seed stage funding, once controlling for the size of the economy. This is a trend that has been reported in previous Small Business Equity Tracker reports. There has been a deepening of the UK early stage market over the past decade, with angel investors providing support and strategic advice, and crowdfunders opening up venture investing to a wider pool of public retail investors.

Beyond seed stage, deals at early stage VC (typically capturing series A-B) represented 0.17% of UK GDP between 2022-2024, 1.2x lower than in the US which had an equivalent proportion of 0.20%. Since the pandemic the gap has narrowed at late stage (generally series C and beyond), with both the UK and the US recording a VC-GDP ratio of 0.46%.

This convergence has been driven by a weak couple of years for late stage funding in the US, with investment down by 13.1% during 2022-2024, versus an increase in the UK of 15.2%. In practice UK companies still face significant challenges scaling up through the funding rounds to the same extent as their American peers, as explored in more detail in last year's Equity Tracker report.¹¹

Figure 1.18

UK and US VC investment as a proportion of GDP over time

Source: British Business Bank analysis of PitchBook, Office for National Statistics and Bureau of Economic Analysis data

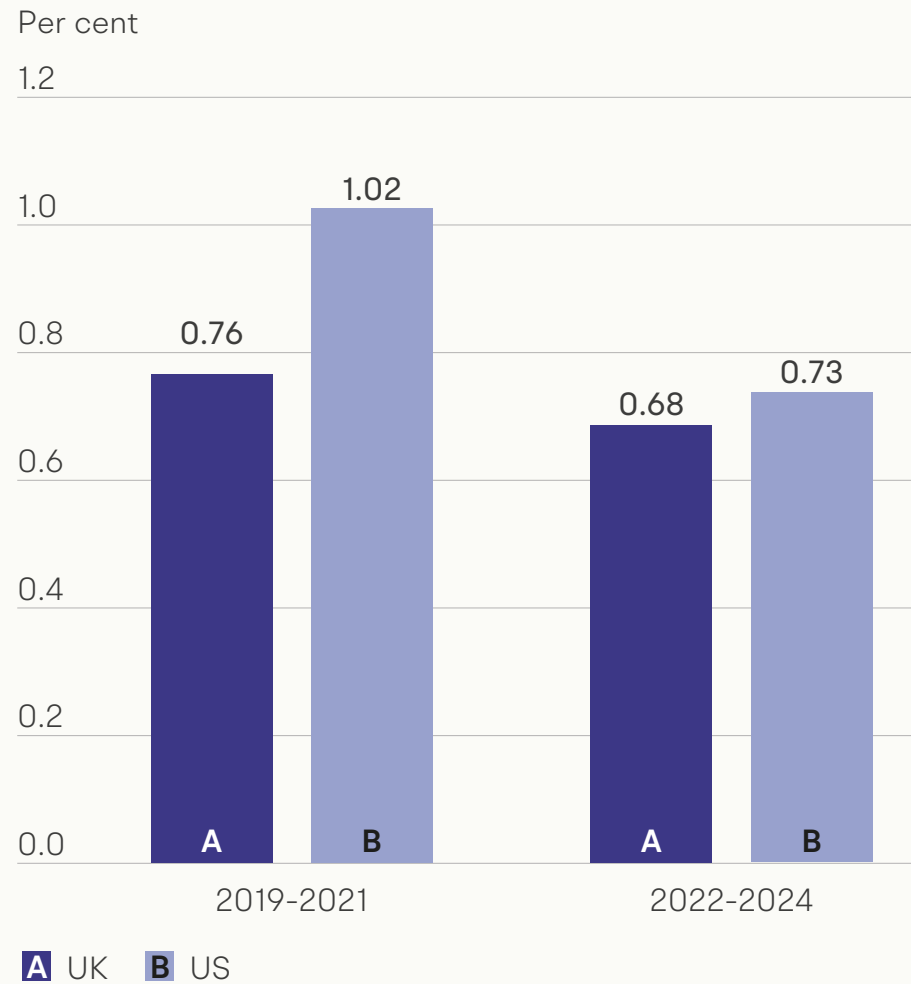


Figure 1.19

UK and US VC investment as a proportion of GDP by sector (2022-2024)

Source: British Business Bank analysis of PitchBook, Office for National Statistics and Bureau of Economic Analysis data

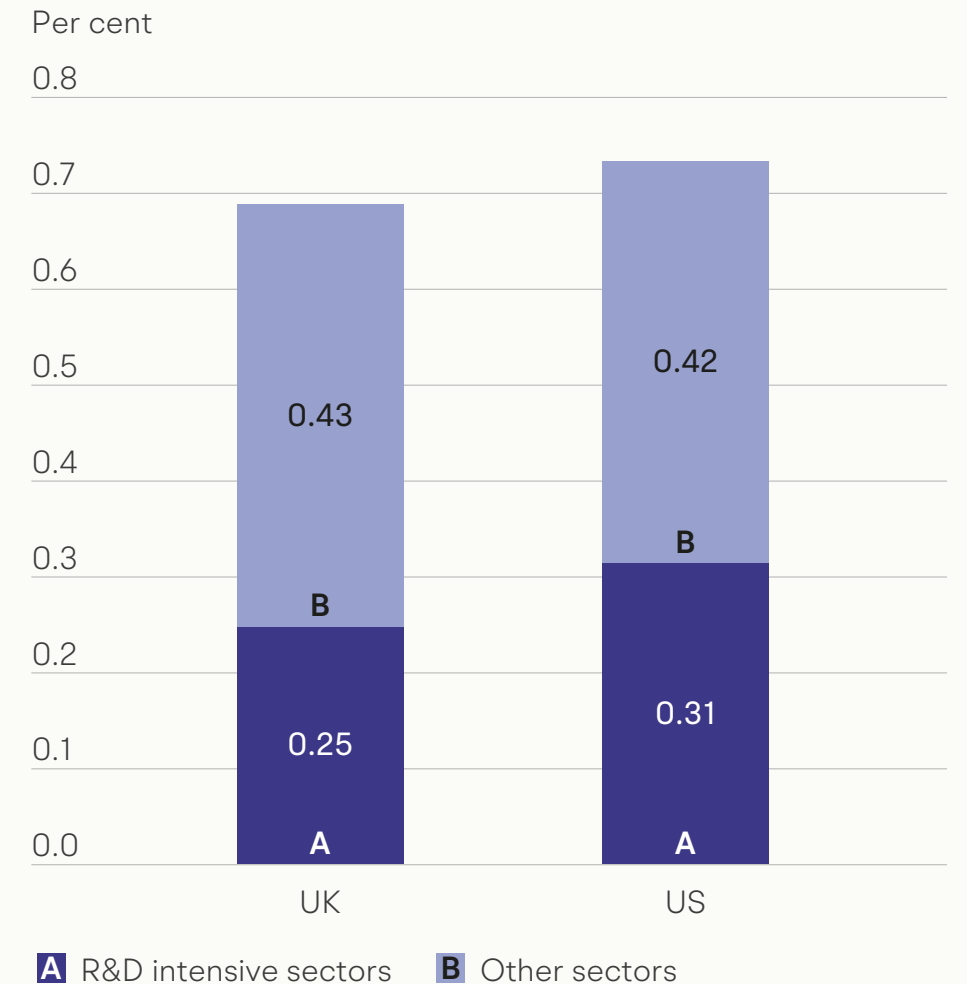


Figure 1.19 assesses the UK's VC market gap on a sectoral basis, focusing in particular on R&D intensive industries. This category covers both deeptech and life sciences sub-sectors, where innovative businesses have different growth journeys to typical software-based companies. Their longer R&D phases and greater capital intensity means they require higher levels of funding over a longer time period in order to scale up successfully.

The latest data for 2022-2024 shows that VC investment in R&D intensive sectors represents 0.31% of GDP in the US, but only 0.25% in the UK (equivalent to a gap of 1.3x). Combining all other sectors – such as in fintech where the UK is a genuine global leader – the UK performs in line with the US on a GDP-adjusted basis. This means the lower amounts of funding going to R&D intensive industries in the UK are the key contributor to the UK's overall market gap with the US.

Looking at finance gaps across other industries of importance to the UK market, the Government has prioritised eight growth-driving sectors as part of the UK's modern Industrial Strategy.¹² These are the industries that offer the highest future growth

opportunity for the economy and business. To enable an analysis of VC deals in each area, the latest provisional government definitions of these sectors have been mapped to PitchBook's industry and vertical classifications (as detailed further in the annex).¹³

Figure 1.20 looks at UK VC funding on a relative basis across these growth-driving sectors. The defence sector is excluded from the chart given the unique challenges in capturing deals in this industry reducing the sample size and affecting the validity of the analysis. The chart measures the multiple of US to UK VC investment in each sector during 2022-2024, on a GDP-adjusted basis.

Financial services and clean energy are two industries where the UK is outperforming the US after controlling for the size of the economy. There are several factors behind the UK's specialisation in fintech, including an innovation-enabling regulatory environment, as well as talent and networks leveraged from the UK's world leading financial services industry. Growth, innovation and technological adoption across the broader industry have provided VC-backed startups with a strong market in which to apply their solutions.

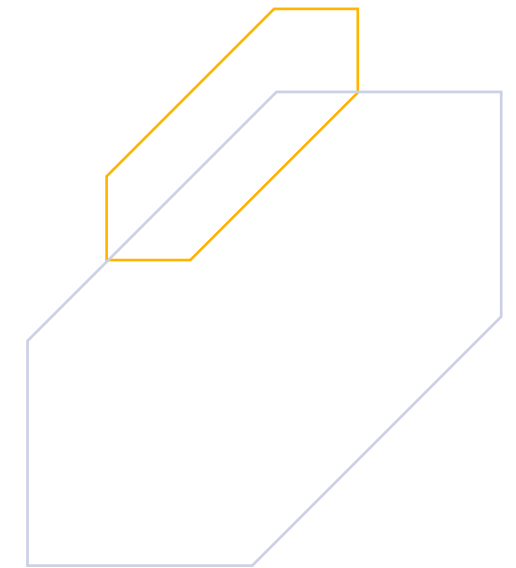
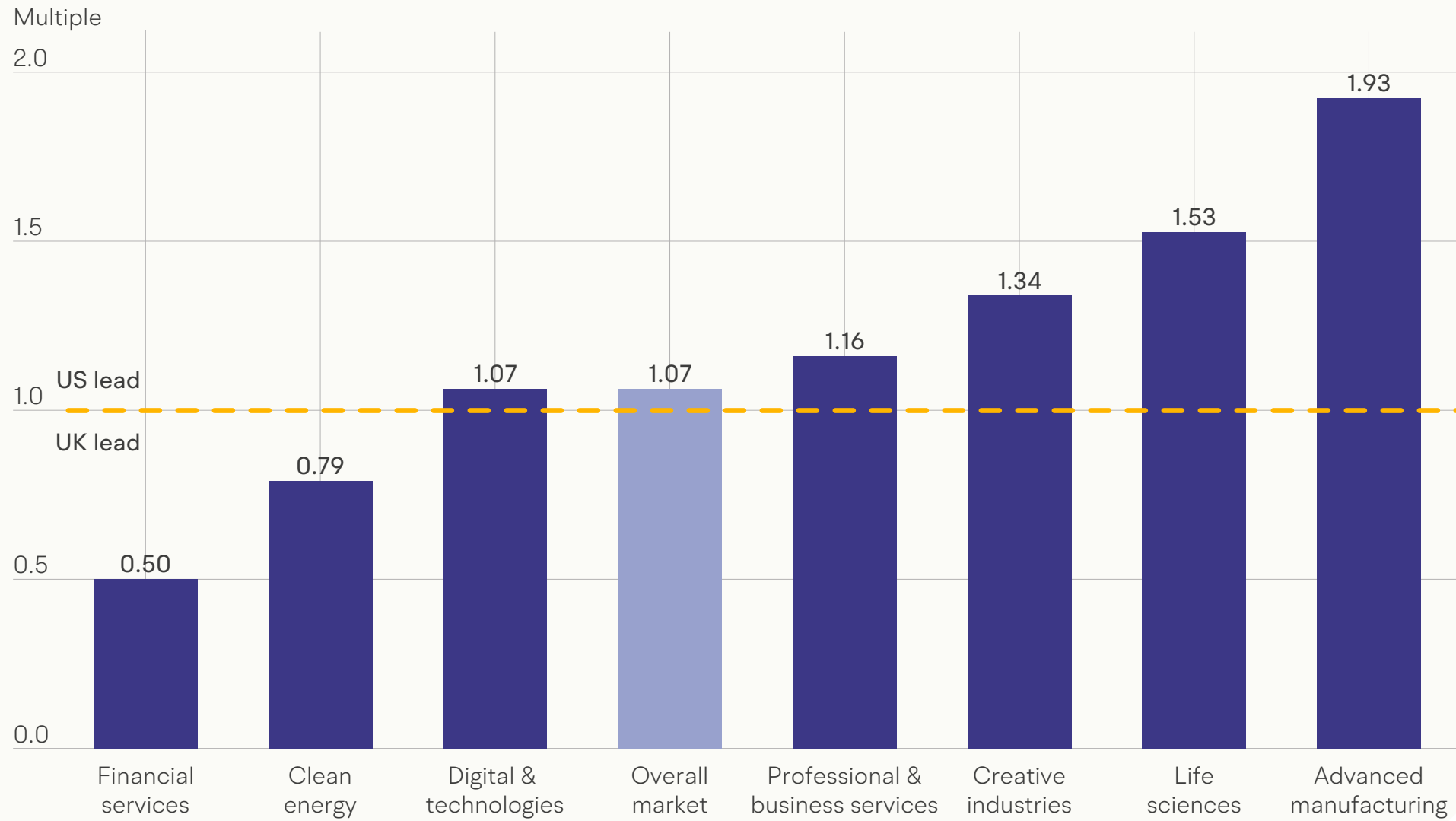
Life sciences is an industry where significant finance gaps still remain in the UK market, with the US raising 1.5x more investment on a relative basis in 2022-2024. The UK has world class underlying research capability in this field and is home to established pharma industry players. However, it lacks the large specialist VC funds of countries like the US, or the European market which has active investors such as Forbion, EQT Life Sciences, Sofinnova, Jieto and Andera.

Advanced manufacturing is another sector where UK companies struggle to raise similar levels of capital to their US counterparts on a GDP-adjusted basis.¹⁴ As is the case with sectors like life sciences and deeptech, businesses in this industry require significant levels of funding in order for their products to reach the market. There are also particular challenges, costs and risks in developing advanced technologies that can be deployed at scale in physical environments – reducing the investment incentives for VC fund managers.

Figure 1.20

US-UK VC investment multiple by Industrial Strategy sector, GDP-adjusted (2022-2024)

Source: British Business Bank analysis of PitchBook, Office for National Statistics and Bureau of Economic Analysis data



British Business Bank activity

- British Business Bank equity programmes supported around 14% of all UK equity deals between 2022 and 2024
- British Business Bank supported funds were most active at the seed and venture stages compared to the overall market
- The British Business Bank remains more likely to invest in technology/IP-based companies than the wider market
- The Bank supported around a quarter of academic spinout deals across the market between 2022 and 2024
- The proportion of Bank supported deals involving at least one female founder is higher than the overall equity market

This chapter explores the characteristics of British Business Bank supported equity deals, within the context of wider equity market activity. The British Business Bank intervenes to correct market inefficiencies and increase the supply of funding within the area of small business finance. This is done primarily by investing in VC funds as a Limited Partner (LP) alongside private investors. The Bank is currently the largest LP investor in UK VC funds, based on PitchBook data for fund commitments during 2019-2024.

The Bank also co-invests alongside other equity investors through Future Fund: Breakthrough (FFB) and its Regional Angels Programme (RAP). FFB in particular is targeted at addressing finance gaps for innovative businesses in R&D intensive sectors like deeptech and life sciences. The Bank also has two fund of funds programmes (the Managed Funds programme and historic UKIIF programme which was established in 2009) which target VC funds channelling investment into innovative companies.

The Bank also has regional programmes, making debt and equity investments to reduce regional imbalances in the availability of finance for SMEs. Previously active regional programmes have included the Northern Powerhouse Investment Fund, the Midlands Engine Investment Fund and the Cornwall and Isles of Scilly Investment Fund. At present, the Bank's currently active Nations and Regions Investment Funds are:

- Northern Powerhouse Investment Fund II (NPIF II)
- Midlands Engine Investment Fund II (MEIF II)
- South West Investment Fund (SWIF)

- Investment Fund for Northern Ireland (IFNI)
- Investment Fund for Scotland (IFS)
- Investment Fund for Wales (IFW)

Table 4 provides a detailed overview of the British Business Bank's equity programmes included in this analysis. This section focuses on the Bank's structural equity programmes and therefore does not include deals made by the Future Fund programme, which was a Covid response programme. While Beauhurst captures subsequent funding rounds where the Future Fund Convertible Loan Agreements (CLAs) convert to equity, the Bank is not providing additional funding at this stage and therefore these deals are not categorised as Bank supported funding.

Table 4

Description of British Business Bank equity programme activity

Source: British Business Bank

British Business Bank programme	Description	Year programme started	Currently investing in SMEs?
ECF (Enterprise Capital Fund)	The Enterprise Funds programme helps fund managers looking to operate in the UK VC market raise venture capital funds ultimately increasing the supply of equity finance within the UK market. The Bank invests in VC funds specifically targeting early stage businesses with high growth potential alongside private investors.	2006	Yes
UKIIF (UK Innovation Investment Fund)	UKIIF was established as one of the two fund of funds programmes operated by the British Business Bank. It primarily targeted funds investing in strategically important sectors such as digital technologies, life sciences, clean technology, and advanced manufacturing.	2009	No
ACF (Angel CoFund)	The Angel CoFund was established with an objective to increase the supply of business angel finance available to small businesses with high growth potential. Since its inception in November 2011, the Angel CoFund has enabled smaller businesses to secure over £550 million in investment. Every £1 invested by the Angel CoFund has leveraged over £6 from business angel syndicates.	2011	Yes
NPIF (Northern Powerhouse Investment Fund)	NPIF provided commercially focused finance through funds investing in the North of England in collaboration with ten Local Enterprise Partnerships (LEPs). Financed by the European Regional Development Fund, the European Investment Bank and the UK Government, NPIF was established to provide SMEs with increased flexibility in the types of funding available to them.	2017	No
Managed Funds Programme	The Managed Funds Programme is part of the Government's response to the Patient Capital Review and helps address the UK's patient capital funding gap. This £500m programme makes cornerstone investments in a number of large-scale, private sector managed fund of funds that invest in venture and growth capital funds backing innovative, high-growth businesses. The programme aims to draw in institutional capital into the UK's venture and growth capital markets.	2018	Yes
CIOSIF (Cornwall and Isles of Scilly Investment Fund)	The programme was established in partnership with the Cornwall & Isles of Scilly LEP to support access to debt and equity finance for businesses in the area.	2018	No

Table 4 (continued)

Description of British Business Bank equity programme activity

Source: British Business Bank

British Business Bank programme	Description	Year programme started	Currently investing in SMEs?
MEIF (Midlands Engine Investment Fund)	MEIF provided over £340m of investment to boost small and medium business (SME) growth in the Midlands and is a collaboration between the British Business Bank and LEPs in the West Midlands and East and South East Midlands utilising ERDF and EIB funding.	2018	No
RAP (Regional Angels Programme)	The £100m Regional Angels Programme is established to help reduce regional imbalances in access to early stage equity finance for smaller businesses across the UK. It aims to raise the profile and professionalism of angel investment activity and to attract further third-party capital alongside business angels while generating a market rate of return.	2018	Yes
BPC (British Patient Capital)	British Patient Capital was established to support UK businesses with high growth potential to access the long-term financing they need to scale up. BPC invests on a commercial basis to demonstrate that a long-term patient capital investment strategy can produce commercially attractive returns. BPC was seeded with investments from the VC Catalyst programme which was established in 2013.	2018	Yes
FFB (Future Fund: Breakthrough)	Future Fund: Breakthrough is £425m UK-wide programme which encourages private investors to co-invest in high-growth, innovative firms. The programme makes equity co-investments with private sector investors in growth stage R&D-intensive British companies operating in breakthrough technology sectors. The minimum total investment round size is £20 million.	2021	Yes
LSIP (Life Sciences Investment Programme)	The Life Sciences Investment Programme (LSIP) is designed to address the growth equity finance gap faced by high-potential UK life sciences companies. Through LSIP, the Bank makes cornerstone commitments to later stage life sciences venture growth funds with a strong UK focus, typically investing between £50m and £100m in each successful fund.	2021	Yes

Table 4 (continued)

Description of British Business Bank equity programme activity

Source: British Business Bank

British Business Bank programme	Description	Year programme started	Currently investing in SMEs?
SWIF (South West Investment Fund)	The South West Investment Fund (SWIF) is a £200m programme with the aim of increasing the supply and diversity of early stage finance for small businesses within the entire South West region including Bristol, Cornwall, the Isles of Scilly, Devon, Dorset, Gloucestershire, Somerset and Wiltshire. The fund provides equity investments of up to £5m.	2023	Yes
IFS (Investment Fund for Scotland)	The Investment Fund for Scotland (IFS) is a £150m investment fund covering the whole of Scotland. IFS is the first solely UK Government backed investment fund for smaller businesses in Scotland. The fund provides equity investments of up to £5m.	2023	Yes
IFNI (Investment Fund for Northern Ireland)	The Investment Fund for Northern Ireland (IFNI) is a £70m fund covering the whole of Northern Ireland. IFNI is the first solely UK Government backed investment fund for smaller businesses in Northern Ireland. The fund makes equity investments of up to £5m.	2023	Yes
IFW (Investment Fund for Wales)	The Investment Fund for Wales (IFW) is a £130m fund covering the entire country. IFW is the first solely UK Government backed fund for smaller businesses in Wales. The fund makes equity investments of up to £5m.	2023	Yes
MEIF II (Midlands Engine Investment Fund II)	The Midlands Engine Investment Fund II (MEIF II) is a £400m investment fund covering the whole of the Midlands, including the West Midlands, East Midlands and South East Midlands. MEIF II is the successor to the historical MEIF programme. The fund provides equity investments of up to £5m.	2024	Yes
NPIF II (Northern Powerhouse Investment Fund II)	The Northern Powerhouse Investment Fund II (NPIF II) is a £660m investment fund covering the whole of the North, including rural, coastal and urban areas. NPIF II is the successor to the historical NPIF programme. The fund provides equity investments of up to £5m.	2024	Yes

To measure the Bank's activity within the wider equity market, Bank supported deals are matched at the programme level to deals recorded in the Beauhurst dataset. This is done based on the Companies House ID, the deal date and the fund manager name. To account for differences in reported deal dates, and to avoid capturing deals made by fund managers before they become part of a BBB programme, the Beauhurst investment date must be within two years of the first recorded deal date captured in the Bank's MI data.

While the majority of deals in the Beauhurst dataset have an accompanying Companies House ID, transaction data relies on disclosure by the fund and therefore does not always include every fund's participation. This approach underestimates the actual coverage of deals involving Bank supported funds. However, it does minimise the chance of wrongfully including deals that were not supported by the Bank.

Table 5 displays the number of unique, UK based companies that received at least one fundraising round supported by one of the Bank's equity programmes.

Table 5

Beauhurst coverage of British Business Bank supported equity deals by programme

Source: British Business Bank analysis of Bank MI data and Beauhurst data

British Business Bank programme	Number of matched UK companies	UK company population	Relevant coverage
Angel CoFund/Aspire	72	132	55%
British Patient Capital (BPC)	435	789	55%
Future Fund: Breakthrough (FFB)	15	23	65%
Life Sciences Investment Programme (LSIP)	4	6	67%
Enterprise Capital Fund (ECF)	481	978	49%
Regional Angels Programme (RAP)	478	694	69%
Nations and regions (active)	50	80	63%
Nations and regions (legacy)	251	322	78%
Managed Funds (MF)	453	1,014	45%
UK Innovation Investment Fund (UKIIF)	53	142	37%
Overall	1,870	3,426	55%

Variation in coverage is primarily dependent on whether the majority of deals in the programme were announced via the Bank, the fund manager’s website, or were unannounced. Historic programmes like UKIIF are also likely to have lower deal coverage as less information is available on these deals compared to newer and current programmes.

Beauhurst itself also tracks whether deals include the involvement of other government funds, funds delivered by the devolved nations such as the Development Bank of Wales and Scottish National Investment Bank, and local government funds. However, British Business Bank funds delivered by private sector fund managers involving private sector sources of capital, such as ECF and BPC, are not included under this definition.

In 2024, government funds supported 59% of all announced equity deals in Wales, 56% in Scotland and 38% in the North East. Across the English regions and devolved nations, government funds supported 16% of all announced equity deals in 2024.

British Business Bank equity programmes supported around 14% of all equity deals between 2022 and 2024

Figure 2.1 shows the number of annual deals supported by British Business Bank matched to the Beauhurst dataset of announced equity deals. As a result, these figures may differ from the Bank’s internal Management Information (MI) system which has full deal coverage. Since additional deals become identified by Beauhurst over time as more announcements are made, the 2024 figure should be treated as preliminary.

The number of Bank supported deals rose consistently from 81 deals in 2014 to 456 deals in 2021, and has since declined to 288 in 2024. The activity of the Bank’s equity programmes fell roughly in line with the wider market in 2024. The number of BBB-supported deals fell by 13.8% on an annual basis, in comparison to a 15.1% decline in deal count across the UK. Taking a longer term view, the number of deals backed by the Bank is now around 2020 levels, while the wider market total has fallen back to a total last seen in 2018.

Figure 2.1

Number of announced equity deals supported by at least one British Business Bank equity programme over time

Source: British Business Bank analysis of Bank MI data and Beauhurst data

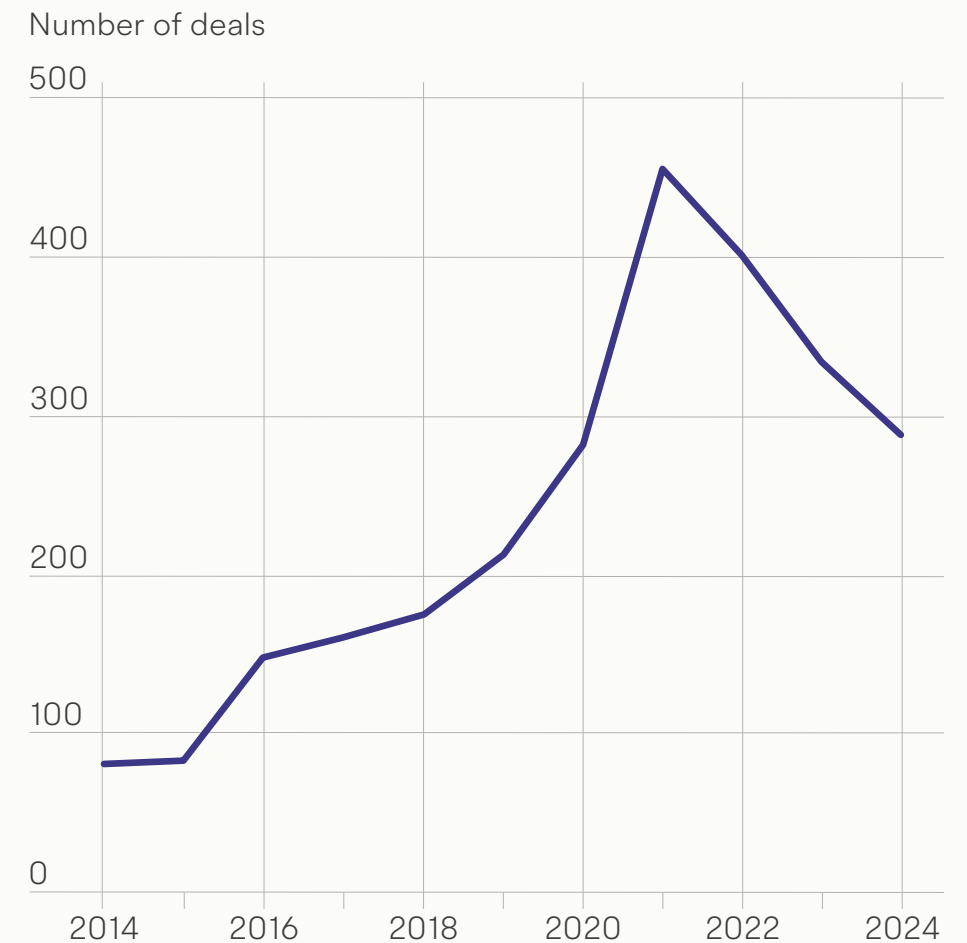


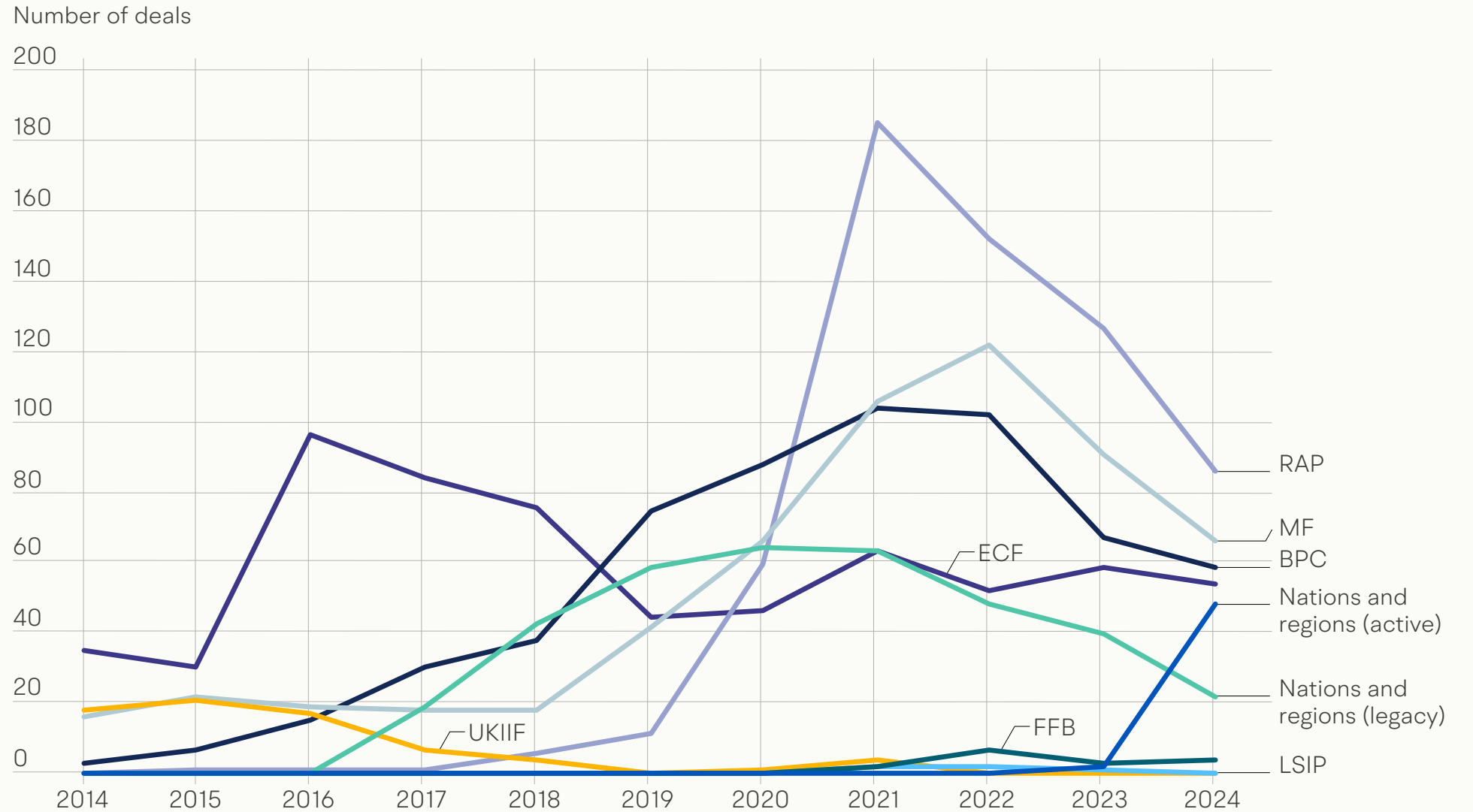
Figure 2.2 breaks down the number of annual announced deals matched to each of the Bank’s equity programmes. For ease of comparison, the chart combines the Bank’s Nations and Regions Investment Funds and divides these into active programmes (MEIF II, IFNI, SWIF, NPIF II, IFW, IFS) and first generation programmes (NPIF, MEIF and CIOSIF).

A noteworthy increase in coverage of the Bank’s Regional Angels Programme (RAP) can be observed over time. Since 2021, coinciding with a peak at 185 deals, RAP has supported the largest number of equity deals of all the Bank’s programmes. This is in part attributable to the programme’s leverage requirements. Applicants must source between 50-80% of each investment round from other private sources of capital enabling the programme to have greater geographic and sectoral reach. RAP supported 86 deals in 2024. Managed Funds (66 deals) and BPC (59 deals) were the two other programmes involved in the most deals in 2024.

Figure 2.2

Number of announced equity deals supported by British Business Bank equity programmes

Source: British Business Bank analysis of Bank MI data and Beauhurst data



The ECF and BPC programmes were relatively resilient in terms of deployment during 2024, when compared to the wider market. Deal numbers supported by these programmes were down by 8.5% and 11.9% respectively, which was a smaller decline than across the market as a whole. The number of deals backed by the active regional funds also increased significantly from two matched deals in 2023 to 48 deals in 2024 as these programmes became established.

Looking at the overall breakdown of activity by programme, RAP accounted for 35.7% of BBB-supported deals between 2022 and 2024. This was followed by Managed Funds (27.3%) and BPC (22.3%). Combining the Nations and regions funds together, these programmes had a 15.6% share of BBB-supported deals across this period.

The remaining analysis in this chapter compares the characteristics of deals supported by the Bank to those backed by the wider equity market. The comparison is made over the three-year period from 2022-2024, smoothing out yearly volatility in the data.

During 2022-2024, the Bank’s equity programmes are estimated to have supported 14% of all UK equity deals, comprising 17% of total equity market investment. This is broadly in line with the figures reported in last year’s Small Business Equity Tracker report, where 15% of deals and 18% of investment had received Bank support during the 2021-2023 period.

Breaking down the market share by stage, the Bank is most active at earlier stages of the market. Its programmes supported 16% of all announced equity deals at the seed stage and 25% of the total investment value between 2022-2024. At the venture stage, the Bank’s share was 14% of total deals and 17% of the total investment value. At the growth stage, Bank supported funds participated in 9% of deals corresponding with 14% of total investment.

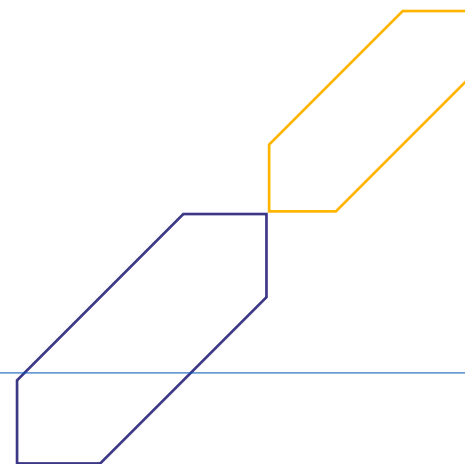


Table 6

British Business Bank market share by stage in 2022-2024

Source: British Business Bank analysis of Bank MI data and Beauhurst data

Stage	By number of deals	By investment value
Seed	16%	25%
Venture	14%	17%
Growth	9%	14%
Total	14%	17%

British Business Bank supported funds were most active at the seed and venture stages compared to the overall market

Figure 2.3 compares the composition of British Business Bank supported deals by stage with the wider PE/VC market and overall equity market (including other investor types such as business angels and crowdfunders). This provides added context given many of the Bank’s programmes operate by investing through commercial VC funds.

During 2022-2024, the majority of British Business Bank supported equity deals were at the seed and venture stages, comprising 48% and 41% of Bank supported deals respectively. A total of 11% of Bank supported deals were at the growth stage.

For seed stage companies, the proportion of Bank supported deals is approximately 6 percentage points higher than both the wider PE/VC market and overall equity market. At the growth stage, the fraction of Bank supported deals is approximately 7 percentage points smaller than the wider PE/VC market, and 6 percentage points lower than the overall equity market.

Figure 2.3
Proportion of British Business Bank supported equity deals by stage in 2022-2024

Source: British Business Bank analysis of Bank MI data and Beauhurst data

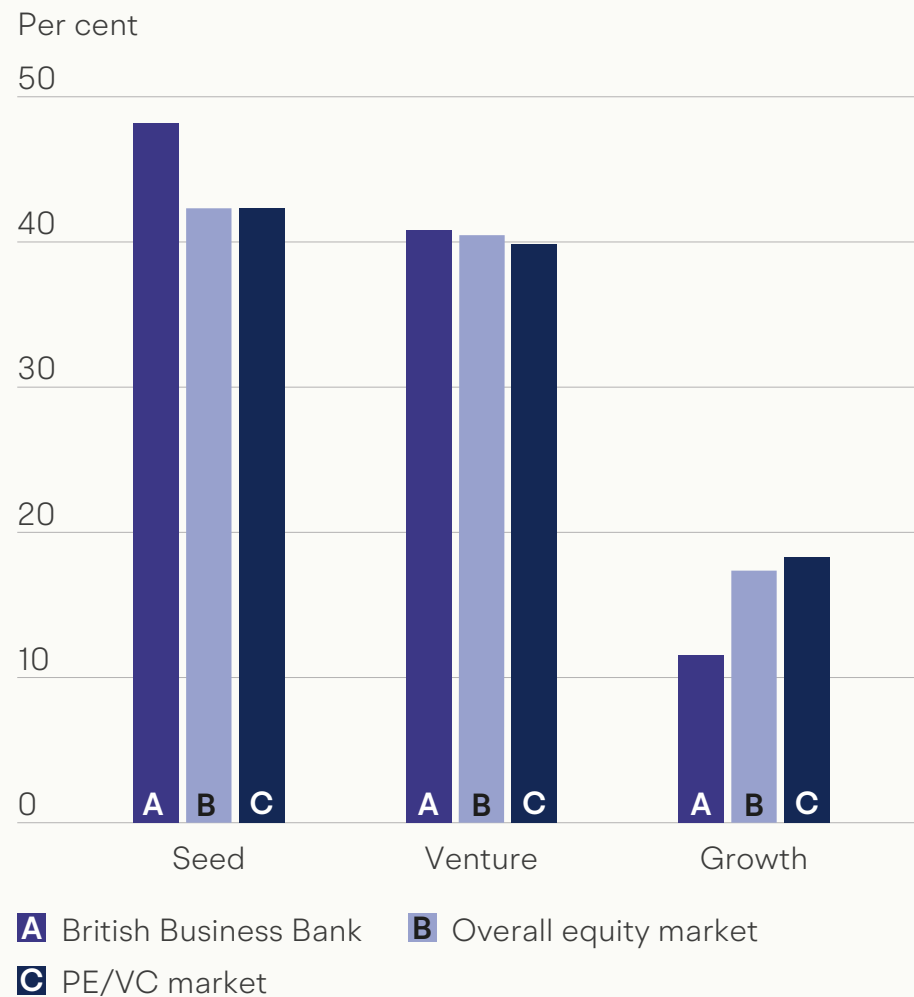
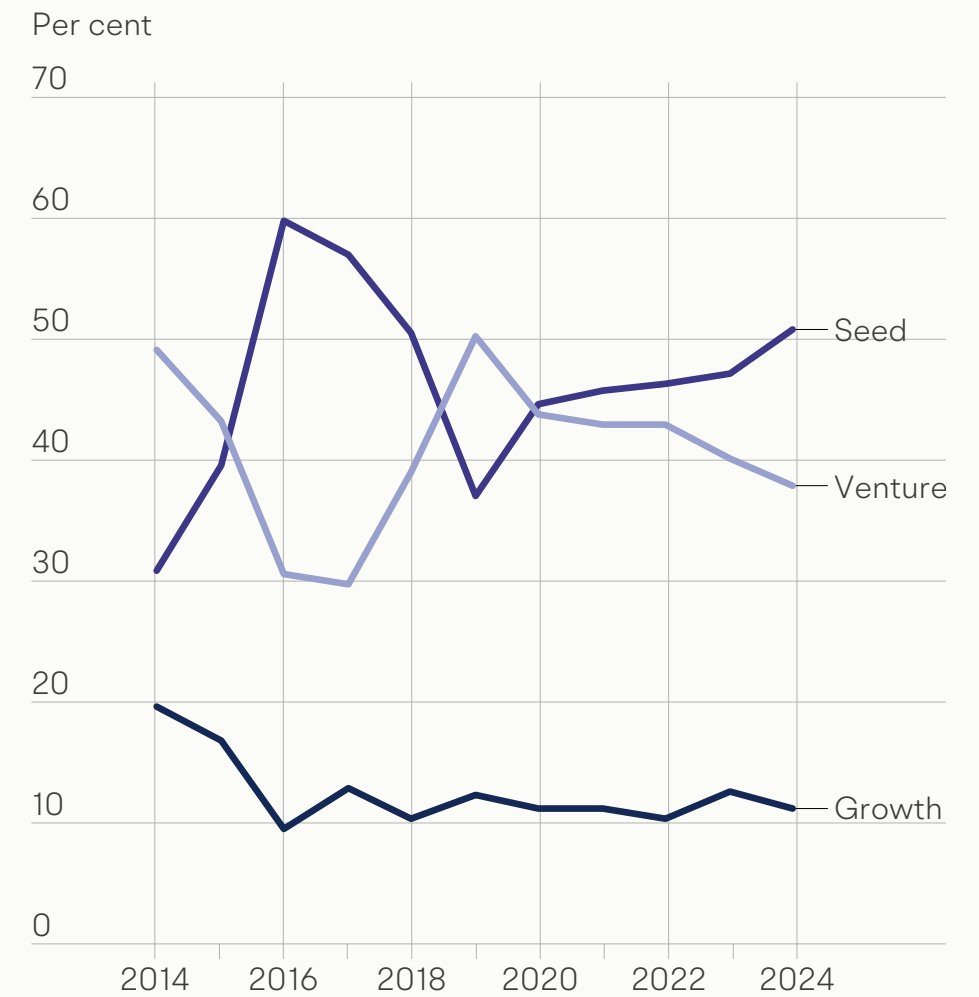


Figure 2.4
Proportion of British Business Bank supported equity deals by stage over time

Source: British Business Bank analysis of Bank MI data and Beauhurst data



At the venture stage, the proportion of Bank supported deals closely resembles that of the wider PE/VC market and overall equity market. This greater concentration of Bank supported deals at the seed stage is primarily driven by the Bank's ECF and Managed Funds programmes. ECF supported 109 seed stage deals, comprising 66% of the programme's supported deals between 2022 and 2024. The Bank's Managed Funds programme supported 168 seed stage deals, comprising 60% of its deals throughout the same period.

Figure 2.4 tracks yearly variation in Bank allocated funding. In 2014, 31% of Bank supported deals were at the seed stage, 49% were at the venture stage and 20% were at the growth stage. In the most recent data for 2024, 51% of Bank supported deals were at the seed stage, 38% were at the venture stage and 11% were at the growth stage.

While the stage category occupying the greatest proportion of Bank supported deals has been subject to change throughout the period, the growth stage has consistently represented the smallest proportion of the Bank's activity on a deal numbers basis.

The size of the average deal completed by British Business Bank supported funds can vary significantly by stage. However, the latest data shows that, regardless of stage, the Bank is supporting higher value deals on average than those across the wider market. This will help to ensure UK companies are better capitalised, and help close the funding gap in terms of smaller deal sizes UK companies have with their US counterparts.

- **Seed:** The average size of British Business Bank supported seed stage deals in 2022-2024 was £3.2 million compared to £2.0 million and £3.0 million for the overall equity and PE/VC market, respectively.
- **Venture:** The average size of British Business Bank supported venture stage deals in 2022-2024 was £6.4 million compared to £5.4 million and £8.0 million for the overall equity and PE/VC market, respectively.
- **Growth:** The average size of British Business Bank supported growth stage deals in 2022-2024 was £21.7 million compared to £16.5 million and £21.5 million for the overall equity and PE/VC market, respectively.

The British Business Bank remains more likely to invest in technology/IP-based companies than the wider market

Figure 2.5 provides a breakdown of Bank supported deals by sector. Between 2022-2024, approximately half (49%) of Bank supported deals involved technology/IP-based businesses, whereas this figure was 42% for the overall equity market. In addition, 28% of Bank supported deals fell within the business and professional services sector, compared with 26% for the overall equity market. On the other hand, industrials, leisure & entertainment, media and retail were all sectors where the Bank is 'underweight' in comparison to the market.

To provide further granularity, figure 2.6 divides the technology sector into seven subcategories reflecting Beahurst's tech sub-sectors. Between 2022-2024, 27.9% of Bank supported deals were within software, greater than the overall equity market (24.4%) and wider PE/VC market (27.2%).

The percentage of Bank supported deals in life sciences was 7.2%, comparing to 4.9% for the overall equity market and 6.1% for the wider PE/VC market. This in part due to the activity of British Patient Capital, with programmes such as Future Fund: Breakthrough and the Life Sciences Investment Programme targeting this area of UK innovation. The percentage of Bank supported deals in clean technology at 4.1% was lower than the overall equity market (4.7%) and wider PE/VC market (4.2%).

The Bank supported around a quarter of academic spinout deals across the market between 2022 and 2024

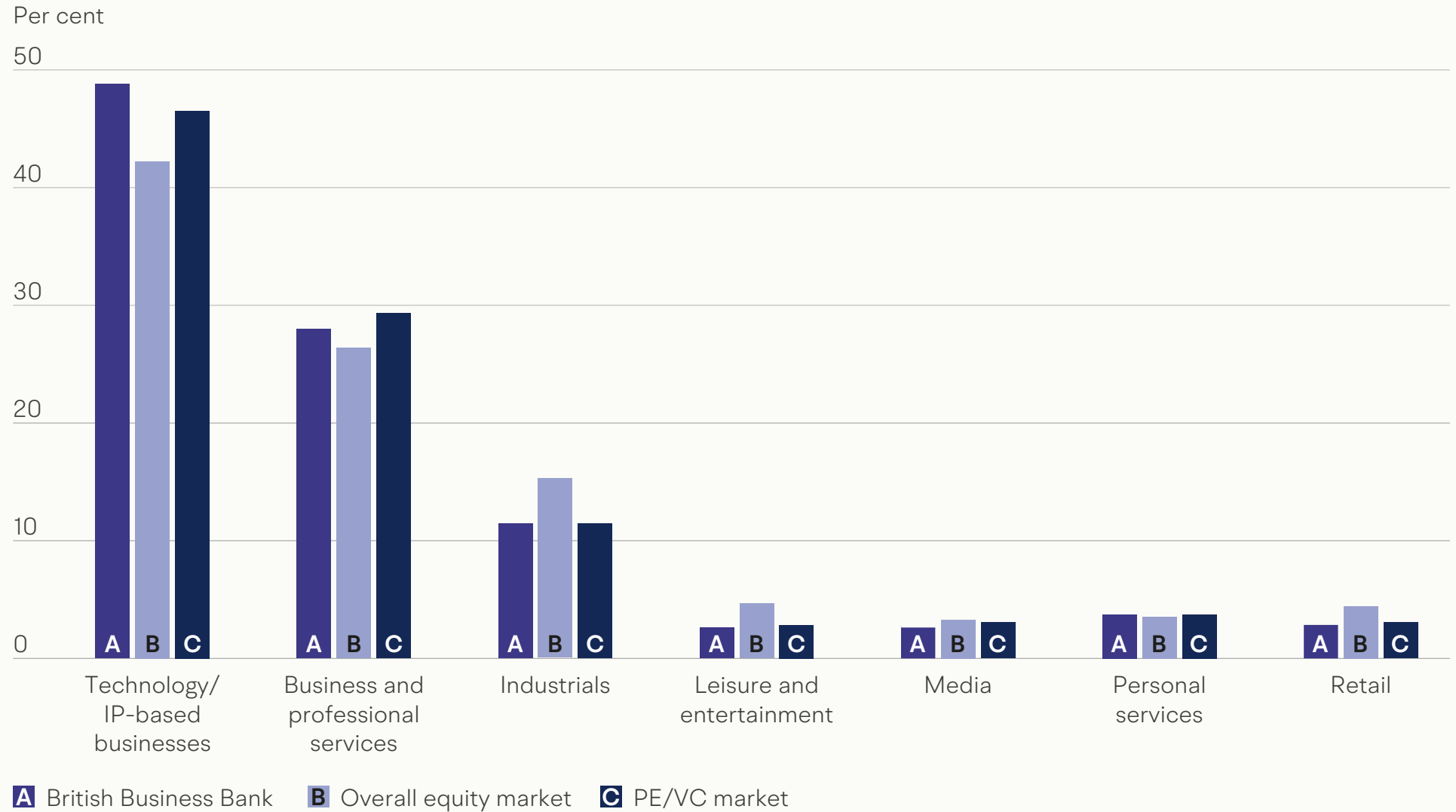
The UK is home to many world-leading universities which act as key cornerstones behind innovation and economic growth. One avenue for universities to commercialise cutting edge research is through the creation of spinout companies.

During the three years from 2022-2024, the British Business Bank supported 176 university spinout deals¹⁵, a quarter (24%) of the 745 UK spinout deals during the

Figure 2.5

Proportion of British Business Bank supported equity deals by sector in 2022-2024

Source: British Business Bank analysis of Bank MI data and Beauhurst data



period. Of the 1,023 Bank supported deals completed during this time frame 17% were spinout deals, compared with 10% of deals across the overall equity market – indicating that the Bank is ‘overweight’ in supporting these kinds of innovative companies.

During 2022-2024, RAP and BPC supported the highest number of spinout deals of all the Bank’s programmes. RAP supported 84 spinout deals during the period, and this figure was 46 for BPC, indicating that around three quarters of Bank supported spinouts between 2022-2024 were backed by at least one of these two programmes.

The University of Cambridge had the highest number of Bank supported spinout deals during 2022-2024, at 21 deals. This was followed by the University of Bristol and University of Oxford each with 12 Bank supported deals, the University of Edinburgh (11 deals), and Queen’s University Belfast and the University of Sheffield, each with 10 deals.

Figure 2.6

Proportion of British Business Bank supported equity deals by technology sub-sector in 2022-2024

Source: British Business Bank analysis of Bank MI data and Beauhurst data

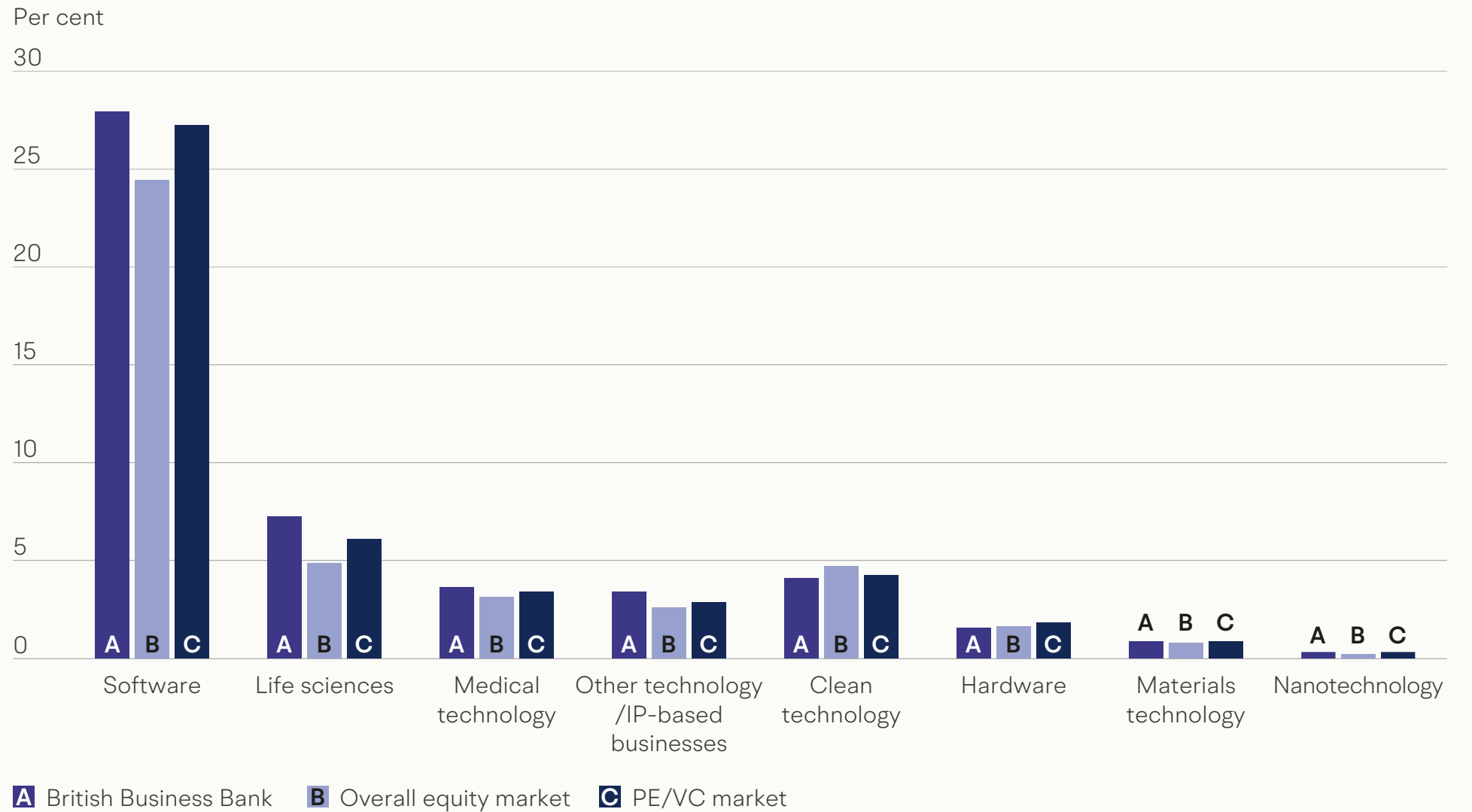
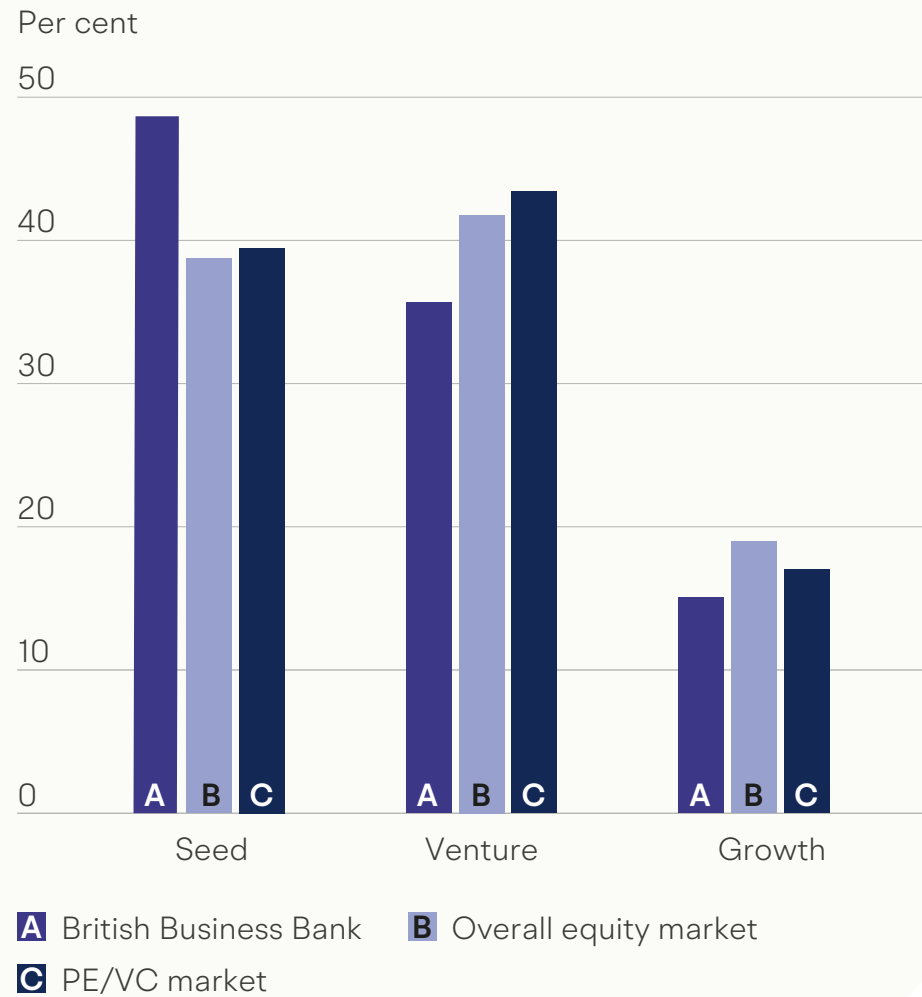


Figure 2.7
Proportion of British Business Bank supported university spinout deals by stage in 2022-2024

Source: British Business Bank analysis of Bank MI data and Beauhurst data



Furthermore, 35% of Bank supported spinout deals during the period involved a university from within the “Golden Triangle”, encompassing Cambridge, Oxford and London. This is six percentage points lower than the share of spinout deals within the wider market involving a university located within the Golden Triangle. In 2024, 25% of Bank supported spinout deals involved a university from within the Golden Triangle.

Spinouts maintain the same classification through their entire deal cycles enabling us to partition spinout deals into their respective stages of evolution at the time of fundraising. Half of the Bank supported spinout deals in these companies have been at the seed stage (49%), compared to 39% for the overall equity market and 40% for the wider PE/VC market.

In turn, British Business Bank supported spinout deals are less likely to be at the venture and growth stages compared with the broader equity market. A concentration of Bank supported deals towards early stage spinouts highlights the Bank’s mission in supporting these innovative companies during this critical phase of their growth journey.

The Bank has a higher share of deals than the market in seven of the twelve English regions and devolved nations

Between 2022-2024, the fraction of Bank supported equity deals exceeded that of the wider equity market for the North West, East of England, South West, Yorkshire and the Humber, West Midlands, East Midlands and Northern Ireland. This correlates with the expansion of the Bank’s Nations and Regions Investment Funds since 2017.

However, in some instances, the regional shares of Bank supported deals are lower due to our analysis capturing deals made by the newly established Nations and Regions Investment Funds predominantly in 2024. This is the case with Scotland and Wales. In addition, the coverage of NPIF II expands beyond NPIF to include the North East region, helping to address the lower market share of Bank supported deals in the region.

The fraction of Bank supported deals in London was lower than both the overall equity market and wider PE/VC market during the same period, in line with the Bank’s emphasis on regions where imbalances of the provision of equity finance remain greater.

Table 7

Proportion of British Business Bank supported equity deals by nation and region in 2022-2024

Source: British Business Bank analysis of Bank MI data and Beauhurst data

Nations and English regions	British Business Bank	Overall equity market	PE/VC market
London	48.9%	49.8%	54.2%
North West	7.8%	6.2%	6.2%
East of England	7.1%	6.8%	7.4%
Scotland	7.1%	8.0%	6.7%
South West	7.1%	5.5%	4.6%
South East	5.1%	8.8%	8.1%
Yorkshire and the Humber	4.5%	3.3%	3.0%
West Midlands	4.1%	2.8%	2.0%
East Midlands	2.9%	2.3%	2.2%
Northern Ireland	2.7%	1.1%	1.4%
North East	1.4%	2.6%	2.4%
Wales	1.2%	3.0%	1.9%

The proportion of Bank supported deals involving at least one female founder is higher than the overall equity market

Between 2022-2024, 30% of British Business Bank supported deals went to a company with at least one female founder. This is higher than the overall equity market (27%), which is in turn higher than the wider PE/VC market (26%). This data excluded companies where no information on gender is provided.

As these companies evolve and expand throughout their growth journey, the hiring of additional people should in turn lead to the proportion of mixed teams increasing over time. Figure 2.9 incorporates the gender composition of key people, beyond solely founders. Between 2022-2024, 67% of British Business Bank-backed deals went to either all-female or mixed teams, which was higher than the wider PE/VC market (66%), and in turn the overall equity market (63%).

As a founding signatory of the Investing in Women Code (IWC), the Bank is committed to driving the necessary change to improve venture capital markets for female founders. The Code helps drive the change necessary to improve venture capital markets for female founders, so they can raise the capital they need for their businesses to reach their full potential. The findings presented in this section of the report provide valuable market-wide data that complements the information gathered from Code signatories on investment in female founders.

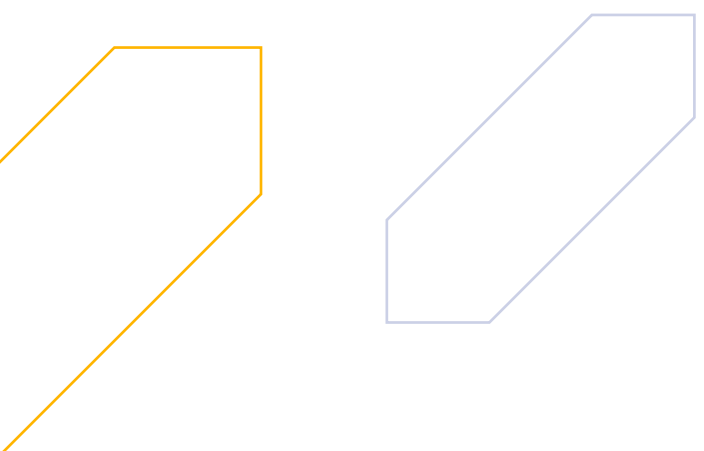


Figure 2.8

Gender composition of company founders receiving an equity deal in 2022-2024

Source: British Business Bank analysis of Bank MI data and Beauhurst data

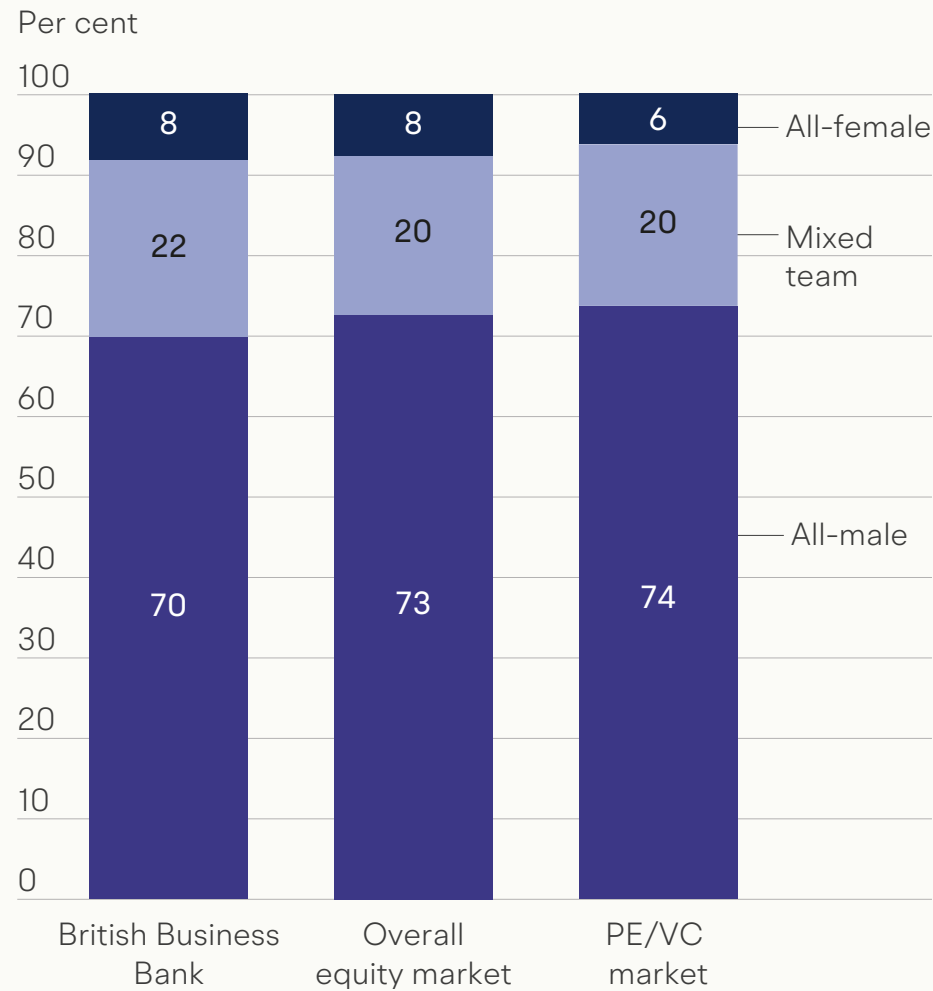
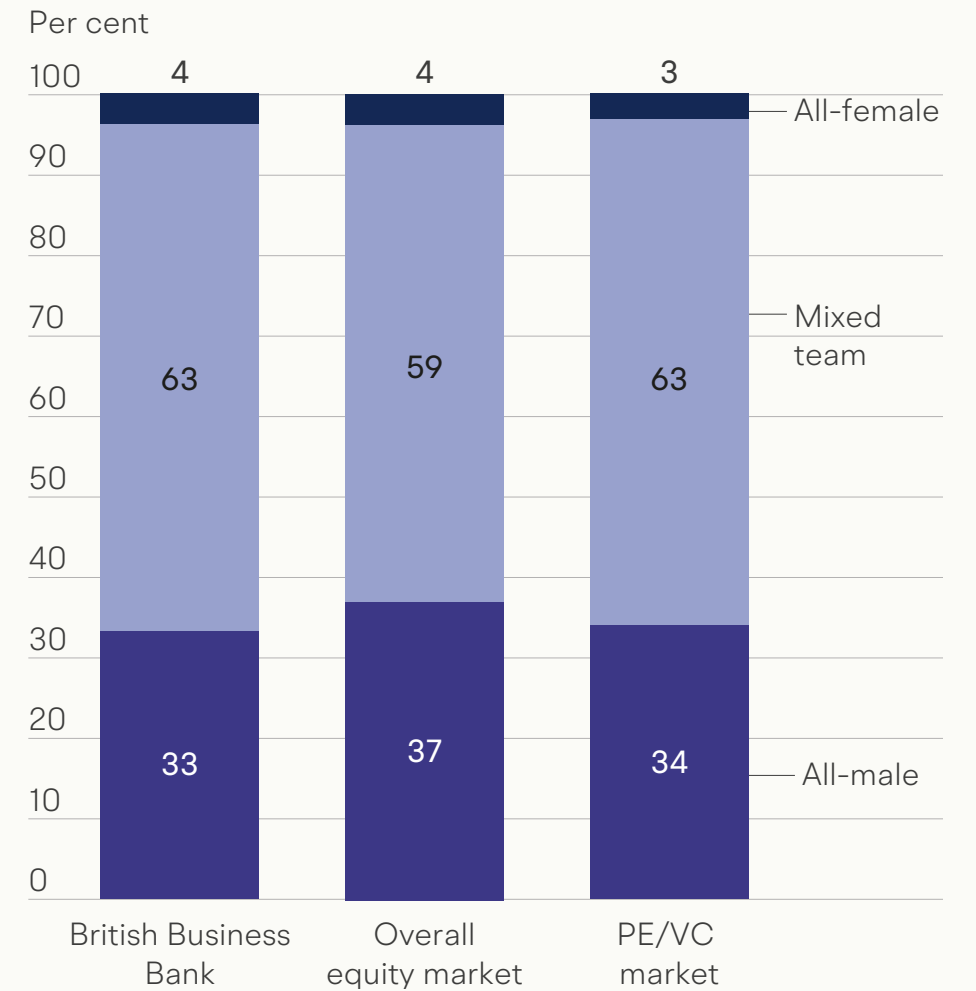


Figure 2.9

Gender composition of company key people receiving an equity deal in 2022-2024

Source: British Business Bank analysis of Bank MI data and Beauhurst data



The UK business angel market

- Angels are a significant source of equity investment in start-up and early stage businesses
- Angel investment appears to have fallen for the second year in a row, reflecting the overall declines in seed stage investment
- The average number of investments has remained broadly consistent across our surveys, but the average value has fallen
- An increasing percentage of respondents reported supporting underrepresented groups as an important positive influence
- Angels and their activities are less regionally concentrated than the wider equity market
- Portfolio performances are mostly meeting expectations and angels are being active in looking to exit and reinvest

This chapter discusses the important role angels play in early stage investment and, given the private nature of the majority of angel investments, offers a different lens on trends in seed and early stage equity investments in the UK.

Drawing on our British Business Bank and UKBAA 2025 angel survey alongside data sources such as Beauhurst and the May 2025 Enterprise Investment Scheme (EIS), Seed Enterprise Investment Scheme (SEIS) and Social Investment Tax Relief data release gives us an up to date view of angel activity. We also are grateful for some bespoke data cuts of the EIS and SEIS data from HM Revenue & Customs.

Our recent survey was carried out in February and early March of 2025 meaning the last full tax year covered was 2023/24. We received 249 completed responses, around half that in our 2019 survey when we were able to run the survey for a longer period. Given the differing sample size and reach of the two surveys, differences should be considered indicative rather than directly comparable. Additional information concerning the data and methodology used throughout this chapter can be found in the report appendix.

Angels continue to be a significant source of equity investment in start-up and early stage businesses

Business angels, defined as people who invest their own money in businesses in exchange for a participation in capital, have long been recognised as the most significant source of equity investment in start-up and early stage businesses seeking to grow. This remains true and is backed up by our 2025 survey which finds angels are largely investing in the initial stages of a business (figure 3.1).

This is in part because at the early stage, companies often require smaller absolute sums of investment, but at higher risk of loss and for longer periods of time before any return can be expected as they are further away from revenue or profit generation. In addition, such companies can be subject to information asymmetries which can cause a structural market failure in the provision of sufficient supply of appropriate equity capital.

Fixed costs for obtaining information about businesses' investment prospects mean that smaller deals are less attractive to investors than larger deals due to relatively high costs for investment appraisal and other transaction costs which remain constant across different sizes of investment. Furthermore, relatively more information is freely available or at least readily attainable on the viability and potential returns of larger, older, more stable businesses than for smaller, younger, high potential but volatile SMEs.

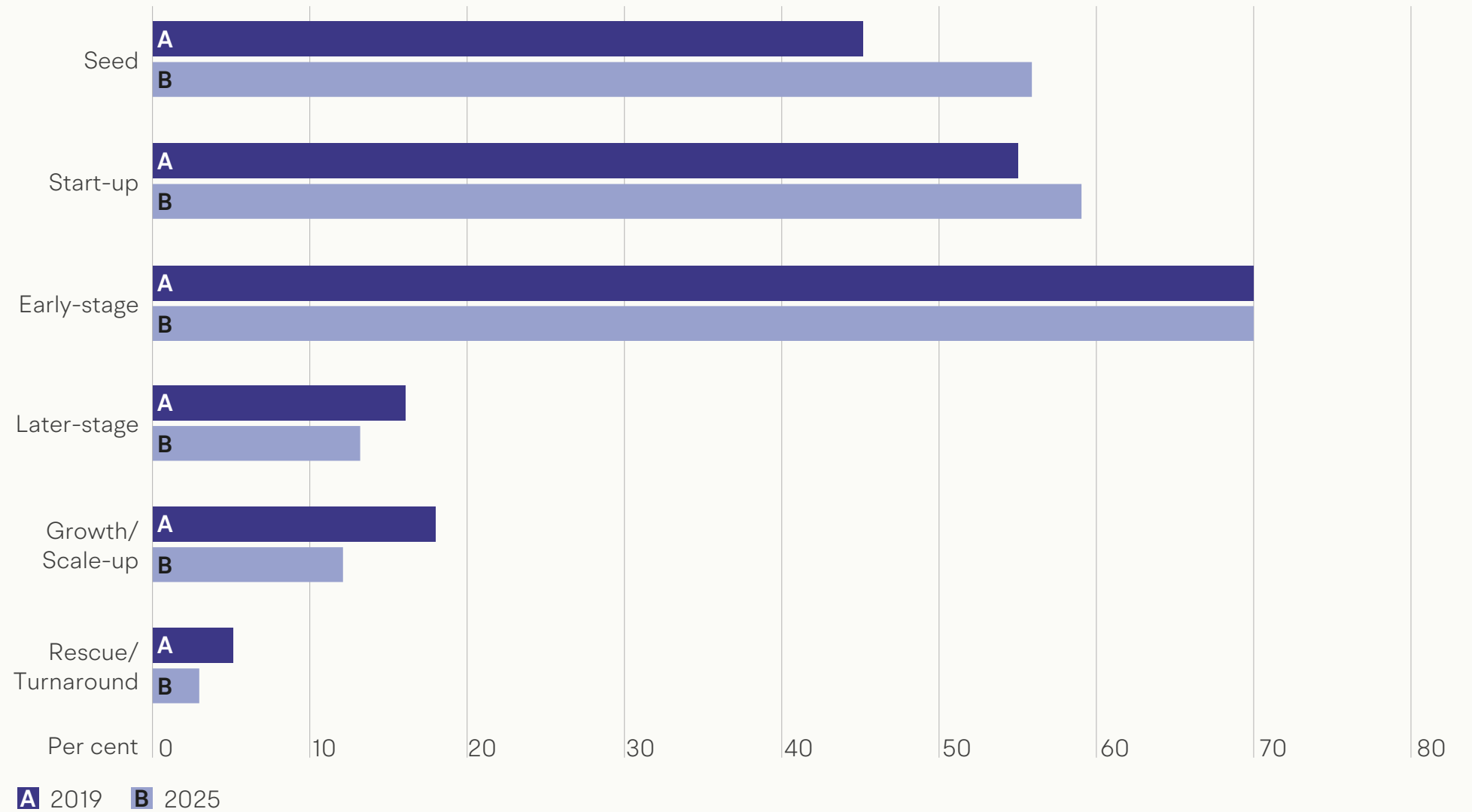
Business angels, rather than legally structured VC funds, are therefore most likely to be able to sustainably make these small ticket, very high-risk equity investments. Cost issues are less acute compared to a fund of investment professionals that must report to its limited partners. Financial incentives for an angel are just as well aligned as with a fund, as individuals earn profit from the successes in their portfolio of investment companies and they only take ordinary shares.

Angels are also typically engaged in providing support to businesses they invest in and do so through a wide range of ‘smart capital’, including strategic advice, experience and networks. This can be just as important, if not more so, than the finance they provide, particularly to young companies who are finding their way and may lack some key skills, know-how and contacts.

Figure 3.1

Percentage of angels who invest in each stage

Source: The UK Business Angel Market surveys 2019 (n=508), 2025 (n=249)



Angel investment appears to have fallen for the second year in a row, reflecting the overall declines in seed stage investment

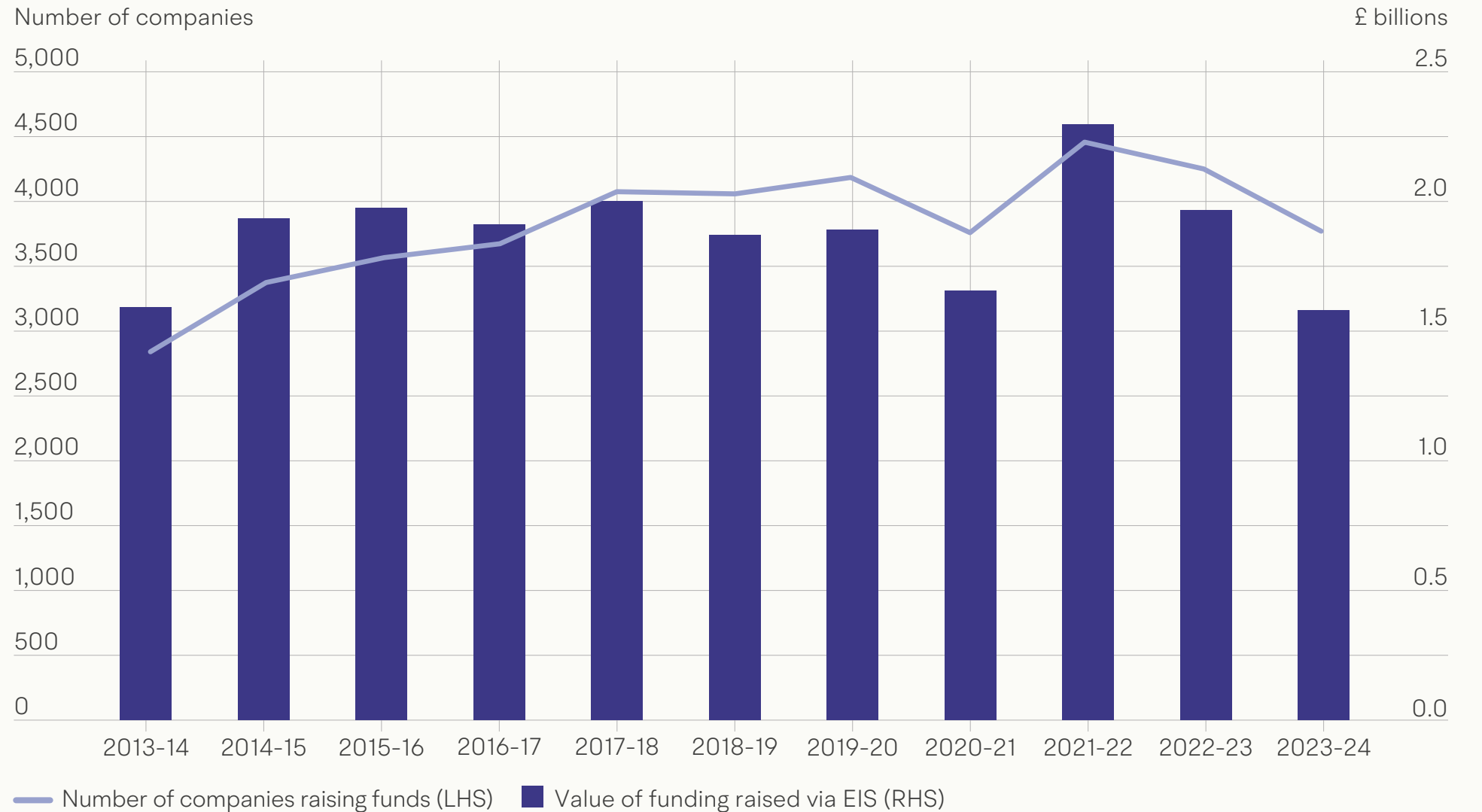
Due to the private nature of the vast majority of angel deals, data on the size of the angel market is patchy at best as these investments are less commonly announced and thus unlikely to be in the data sources used in the first two chapters of this report. We've looked at a range of data sources and estimates of the size of the UK angel market in an attempt to quantify the support they provide to privately owned businesses with high-growth potential.

The best indicator of the size of the angel market can be found via Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) data. EIS and SEIS are tax efficient benefits the UK Government offers to UK taxpayers for their equity investment in higher-risk early stage start-ups and small companies. EIS is designed so that a company can raise money to help grow their business and SEIS is designed to help companies raise money when starting to trade.

Figure 3.2

Funding raised via the EIS over time

Source: British Business Bank analysis of EIS data



Our survey, in line with previous surveys, found that 88% of respondents who had made an investment in the last full tax year (2023/24) utilised the EIS or SEIS scheme during that tax year.

In the 2023/24 tax year, the latest data available, investment through EIS decreased by 20% in nominal terms from the year before, totalling £1.58 billion, and down 31% from its £2.3 billion peak in 2021/22 (figure 3.2). While the value of EIS raised funding fell to £1.67 billion in 2020/21 as Covid impacted the economy, we have not seen values as low as 2023/24 since government reforms led to a 54% increase in values in 2013/14 when it reached £1.59 billion.

The number of companies receiving EIS funding also declined 11% to 3,780. Again, this followed a fall the year before, dropping from the peak in 2021/22 of 4,460. Given the decrease in values has outstripped the decrease in the number of businesses raising funding via EIS the average raise has now fallen to around £417k, the lowest in over a decade.

There have been a number of contributing factors that led to both the peak in 2021/22 and the subsequent falls. The peak was partly a rebound from pandemic lows, making the subsequent year's decline a return to more typical levels. Since 2022, continued uncertainty, including rising interest rates and inflation have made investors more cautious.

Furthermore, there was uncertainty around certain policies. Notably the EIS policy had a sunset clause which meant the tax relief under the scheme was due to expire in April 2025. However, the Autumn Statement 2024 announced an extension of the EIS scheme until April 2035.

The SEIS is a smaller scheme designed to help very early start-ups. While EIS values fell in 2023/24, SEIS values increased by 51% to £242m. This rebound followed a fall of 22% the year before and led to the most recent year surpassing the 2021/22 peak of £206m.

The number of businesses benefiting from SEIS investment also rose in the last reported tax year, up 25% on the previous year to 2,290. While this is the highest number for six years it is still below the levels seen around 2014/15 to 2017/18.

The boost over the last reported year in both values and volumes has been at least in part attributed to regulatory changes which has increased the maximum SEIS investment per company from £150,000 to £250,000 and extended company eligibility from two to three years old, which may have also led to directing some funding away from EIS and into SEIS.

Unsurprisingly this has also led to the highest average raise we have seen at £106k. The previous high was £91k in 2021/22.

This overall fall in EIS and SEIS combined (15%) is against a backdrop of a 10% fall in the value of seed stage equity investment as categorised by Beauhurst data in 2023/24 and suggests it was in line with the wider equity market trends rather than a particular issue for angel investing as proxied by EIS/SEIS values.

The average number of investments has remained broadly consistent across our surveys, but the average value has fallen

To get an angel specific view we commissioned a survey of angel investors in early 2025. Overall this found that nearly two thirds (64%) of angels had matched or increased their investment between 2022/23 and 2023/24, while a third reported that they had invested less.

The number of investments made by angels has remained largely consistent across the previous three years, with angels investing in, on average, just over three businesses per year. Across each of the last three tax years where we have full data (21/22-23/24), around two thirds of all respondents reported they had made between one and five investments in that year.

This is consistent with our 2020 report which also found the mean number of investments to range from 3.2 to 3.8 between 2016/17 and 2018/19. However, the 2020 report found a trend of an increasing mean number of new investments but this was not the case in our 2025 survey (table 8).

Table 8

Number of angel investments made during tax years*

Source: The UK Business Angel Market surveys 2019 (n=415), 2025 (n=194)

	2016/17	2017/18	2018/19	2021/22	2022/23	2023/24
Mean	3.2	3.5	3.8	3.6	3.2	3.4
Median	2	2	2	2	2	2
Mode	1	1	1	1	1	1
0	20%	16%	15%	31%	28%	25%
1-5	66%	67%	67%	60%	66%	67%
6-10	9%	11%	12%	15%	14%	16%
11-15	4%	4%	3%	6%	3%	3%
16-20	1%	1%	1%	1%	2%	2%
21+	1%	1%	2%	1%	0%	0%

* Excludes respondents who either didn't know or preferred not to say how many investments they had made.

Both the median and mode were the same across all six years of full data. This indicates a skew in the data driven by a minority of high-activity investors. Indeed, in our most recent survey between 19-23% of respondents reported investing in 6+ new deals each year. This is an increase on the previous survey which found 15-18% of respondents had invested in 6+ new deals in each of the years covered.

One further consistent trend across the two surveys comes from the number of respondents who reported making zero investments in a year. In our previous survey, a decreasing number reported making no investment in a year, falling from 20% in 2016/17 to 15% in 2018/19. This was again the case in our latest survey; however, the percentages were higher going from 31% in 2021/22 to 25% in 2023/24.

This likely reflects how challenging it has been to both find new investments and exit existing ones in recent years but also that angels were very affected by the global and UK economic challenges which directly impacted their own personal wealth and wider asset investments. Furthermore, uncertainty around high net wealth reclassification and the future of EIS and SEIS also impacted investment decisions in recent years according to market intelligence.

The mean number of investments ever held in our previous survey peaked at 17.1 after increasing each year. This has now increased again to 20.5 investments. There is something of a split in our data based on gender, with 34% of male respondents having made 21+ investments while only 8% of female angels have.

Turning to investment values, the mean value of initial investments in 2023/24 was £50k. This is about half of the £108k reported for the year 2018/19. The median also fell to £15k from £45k over the same time period. We also asked for this data for the year so far with the mean falling further again to £34k and the median to £7.5k. The value of follow-on, most likely top-up investments, has also seen a fall, albeit proportionally less. The mean was reported as £34k in 2023/24 vs £56k in 2018/19 while the median was £7.5k vs £15k.

Given the smaller sample size and make up of our survey this result must be seen more as indicative only. However, there are reasons to think this may be more representative than our previous survey finding.

Firstly, given how the economic environment has changed since our last survey in 2019, a decline in investment values would not be unexpected.

Secondly, as many of our respondents were in syndicates, it could be that while an individual is investing less, they are doing it as part of a syndicate and thus the business is still receiving a similar amount of finance but from a wider base of investors. This could have the benefit of spreading the risk for angel investors while potentially increasing the expertise a business can call on.

Finally, it could be that our previous survey results were simply too high. Market intelligence suggests the previous finding of £108k was quite high for an individual angel and that £50k is more realistic. We noted in our UK Business Angel Market 2020 that this figure had been driven by “several high value investments” which we have not found in our most recent survey. It could also have been the case that respondents in our previous survey had on occasion replied on a syndicate basis rather than their individual investment. In our 2025 survey we were very clear we wanted responses to be on an individual basis.

Sector preferences have changed little over the last five years

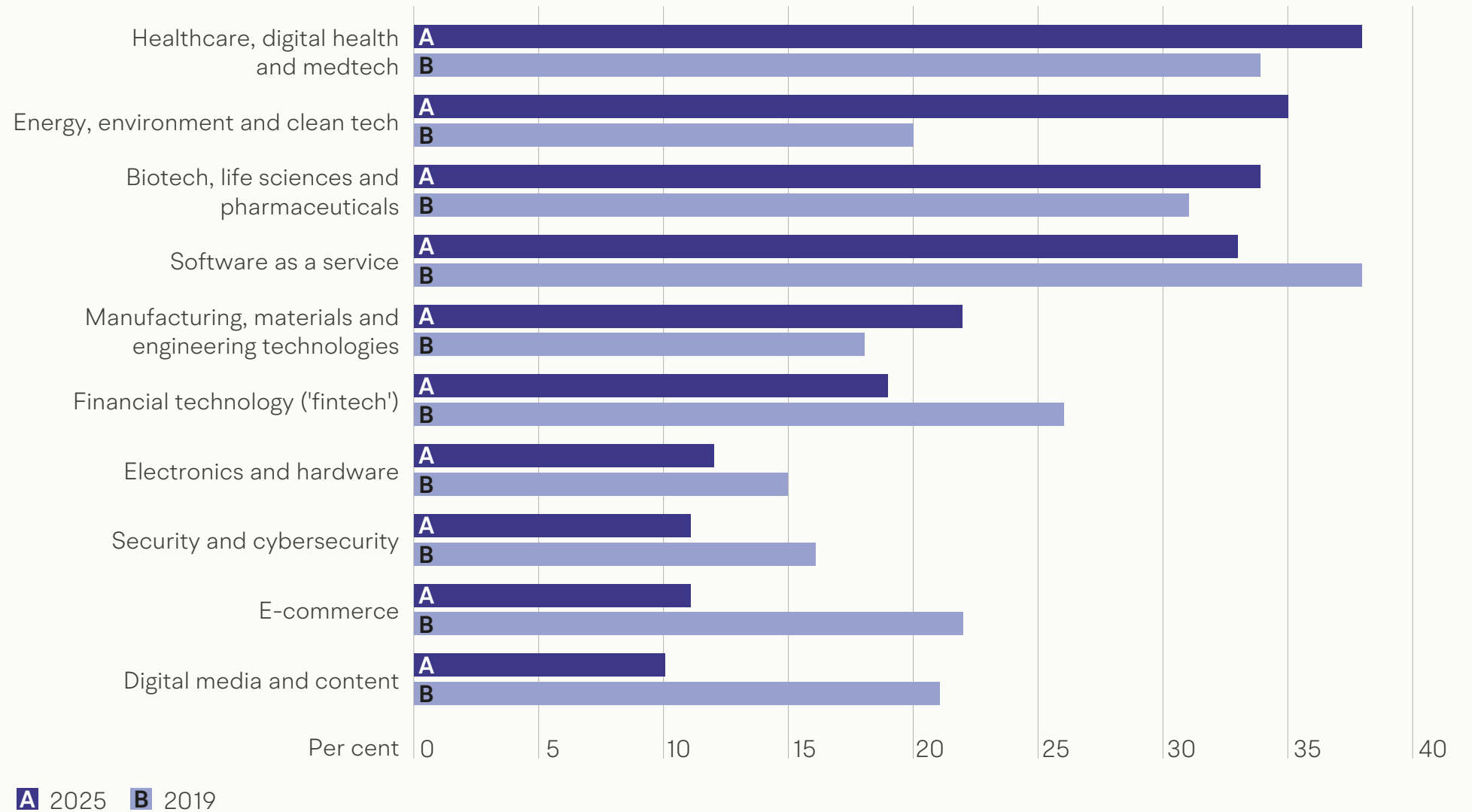
Healthcare, digital health and medtech was the most invested in sector in the last full financial year covered by the survey with 38% of angels investing in that sector (figure 3.3). As with our previous survey, software as a service and biotech, life sciences and pharmaceuticals were also invested in by over 30% of our respondents investing in that year. While not a specific sector in of itself but rather a sub-sector of many sectors, 68% of respondents indicated making at least one investment that included utilising deep technologies.

Some of these shifts in investor preferences reflect the emergence of technology-led sectors over the past five years, such as life sciences and cleantech, which has been evident across the wider equity market. The top six industries listed also align with the growth-driving sectors that have been prioritised as part of the Government’s Industrial Strategy.¹⁶ These have been selected as the industries that offer the highest future growth opportunity for the economy and business and the evidence here indicates that angels can be an important source of finance for early stage companies in these areas.

Figure 3.3

Percentage of angels who reported investing in sectors

Source: The UK Business Angel Market surveys 2019 (n=353), 2025 (n=168)



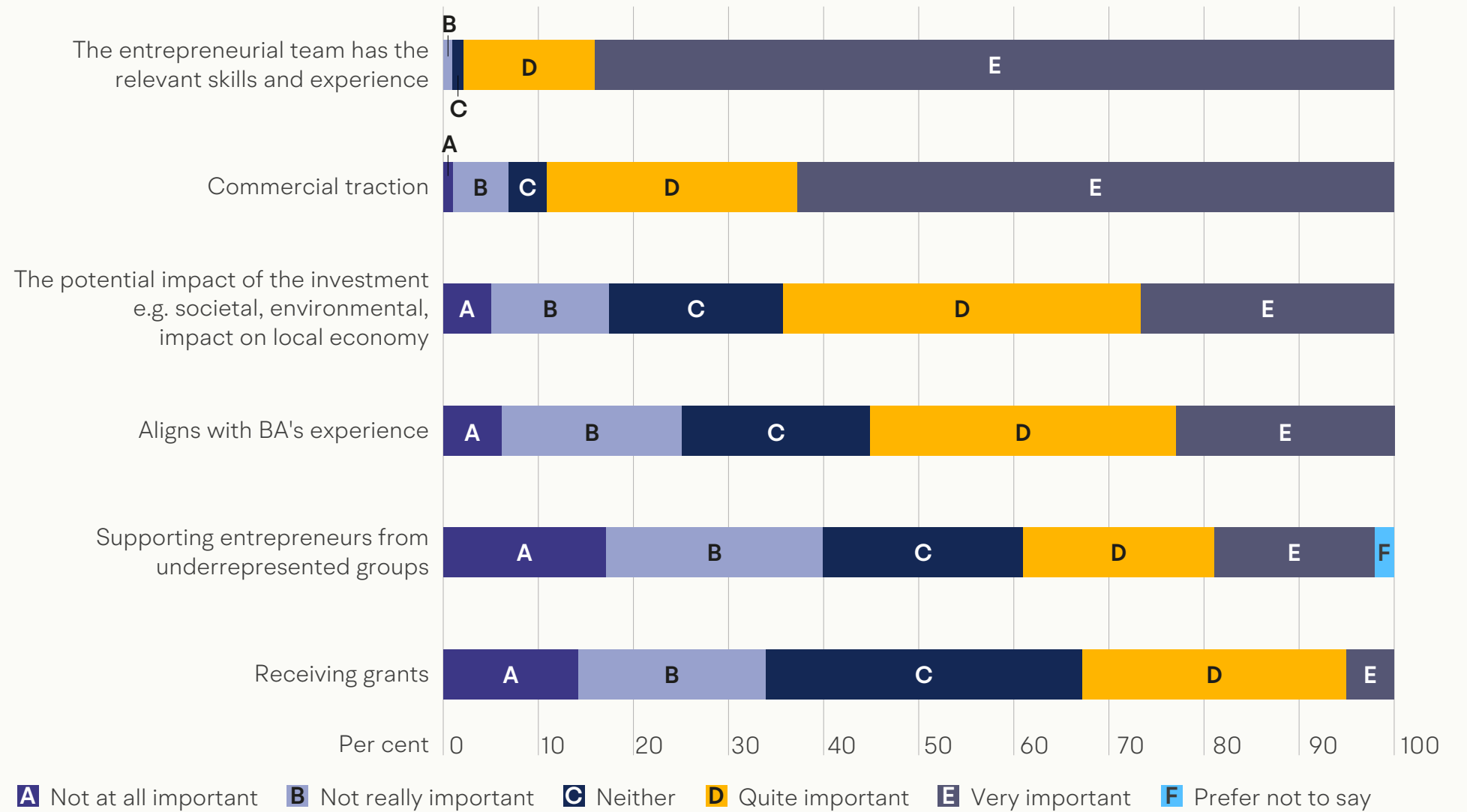
There were some differences compared to our previous survey. 35% of respondents invested in energy, environment and cleantech in our 2025 survey, while only 20% had in the last year of the 2019 survey. Moving in the opposite direction and possibly reflecting heavy investment and increasing valuations during the Covid pandemic, e-commerce has fallen from 22% in 2019 to 11% and digital media and content has fallen from 21% to 10%. Fintech was only invested in by 19% of respondents, down from 26% in 2019.

Looking forward, two fifths of respondents were unsure of which sectors they would invest in next. Furthermore, of those who did have an idea, four of the top five sectors were in the top six invested in during 2023/24 with only healthcare, digital health and medtech and manufacturing, materials and engineering technologies not making the top five. The number one spot was taken by aerospace, defence and space tech, which only 6% reported investing in previously, perhaps reflecting the recent challenges to world security and the resulting shifts in government policies on defence spending.

Figure 3.4

Importance of certain factors influencing investment decisions

Source: The UK Business Angel Market survey 2025



An increasing percentage of respondents reported supporting underrepresented groups as an important positive influence

Relevant skills and experience remain the most important influencer when angels decide to invest in a business, followed by commercial traction (figure 3.4). Nearly two fifths (37%) of respondents reported viewing supporting underrepresented groups as an important positive influence, this was an increase from 20% in our 2019 survey.

Where angels reported backing underrepresented groups positively impacted their investment decisions, they were most likely to point to female entrepreneurs as the group most influencing their choices at almost double the rate compared to other underrepresented groups (figure 3.5). This perhaps in part reflects the demographic make-up of our angel sample which has a greater percentage of female respondents in the 2025 survey (29%) versus the 2019 survey (13%).

Given numerous findings that you invest in people like you, this greater number of female angel respondents may also be one of the reasons behind a shift in the

Figure 3.5
Influence of underrepresented groups on investment decisions

Source: The UK Business Angel Market survey 2025 (n=94)

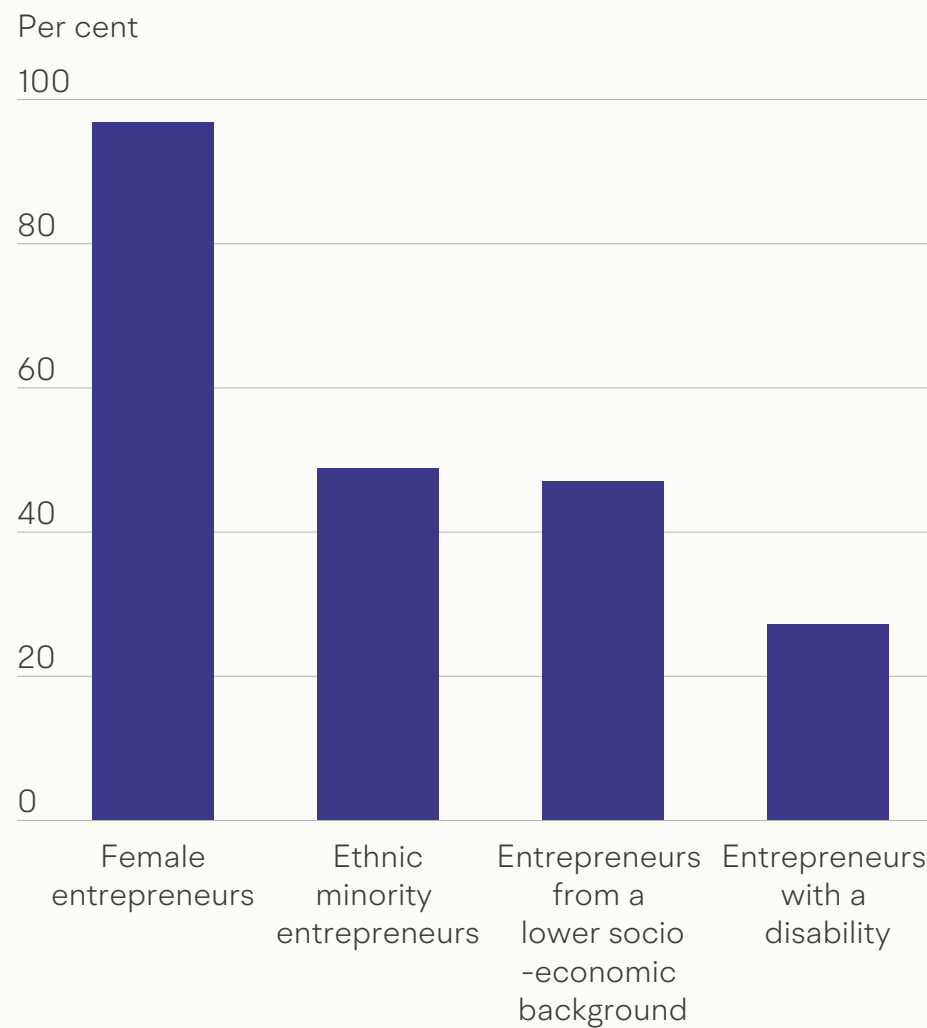
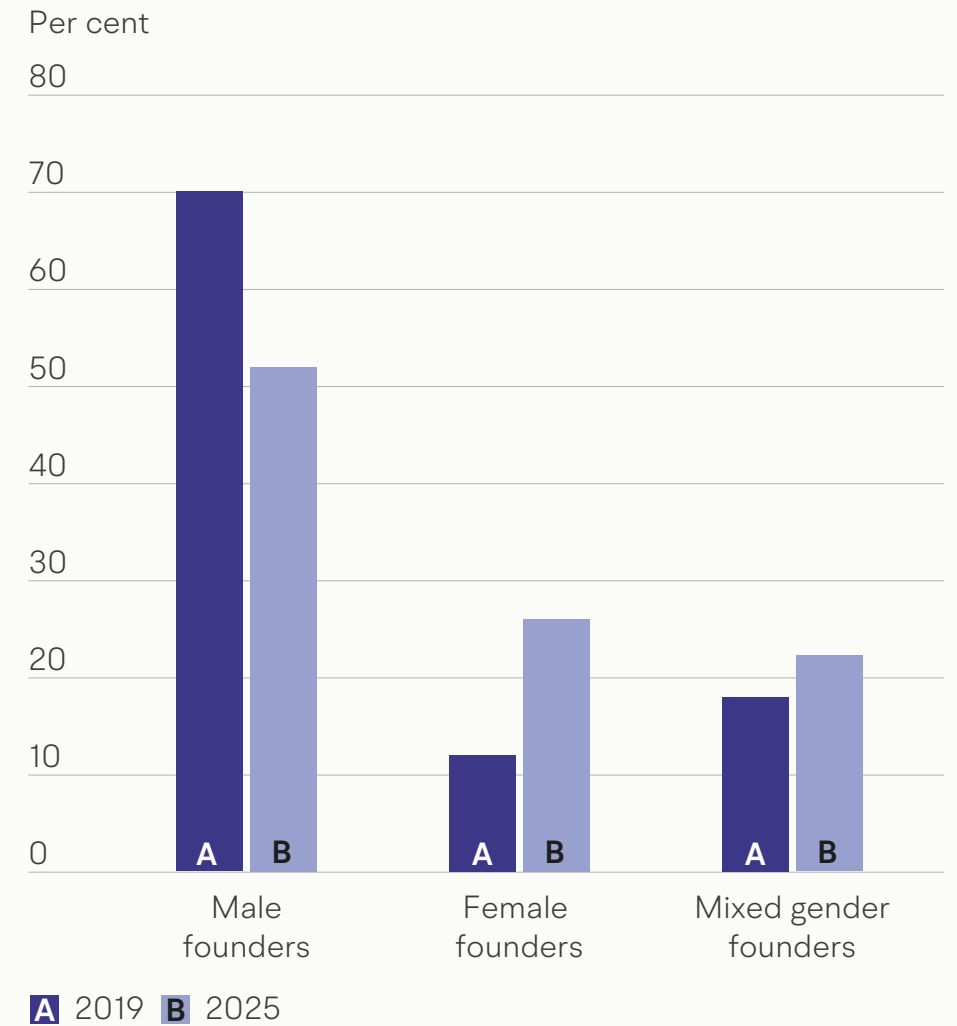


Figure 3.6
Gender make up of founder teams in angels' portfolios

Source: The UK Business Angel Market surveys 2019 (n=399), 2025 (n=175)



composition in founding teams.¹⁷ In our 2025 survey it was reported that 26% of investments were in female founder teams, up from 12% in our 2019 group (figure 3.6) and mixed gender groups also increased to 22% meaning the two combined was only just below 50% compared to less than a third in 2019.

This result was also in line with the Investing in Women Code 2024 report which showed that for the first time, 52% of investments made by angel signatory groups were in all-female or mixed gender founder teams.¹⁸

While it is great to see the increased number of female angels in our survey and the increased diversity in founder teams according to both our survey and the Investing in Women Code 2024 findings there is still much work to be done. Our Female-led angel syndicate pilot showed what is possible with the four syndicates it supported onboarding 185 angels over a two year period.¹⁹

Of these, 176 were female and 146 were new to angel investing. During this time 29 deals were completed with 22 female-led and 7 mixed gender teams.

Angels and their activities remain less regionally concentrated than the wider equity market

London and the South East has benefited from a disproportionately large angel and VC community. Our survey suggests this continues to be the case with 51% of respondents being based in either London (29%) or the South East including Oxford (22%) though this is slightly lower than our last survey in 2019 when the percentages were 34% and 22% respectively (figure 3.7). This is backed up by 2023/24 EIS and SEIS data. This reports that 36% and 42% of EIS and SEIS investors respectively are based in London while 22% and 19% are based in the South East, a similar picture to our survey albeit a bit more skewed to London.

For equity, businesses receiving investment are often close to investors. Our survey sample suggests this is the case. London (35%) and the South East including Oxford (13%) received just under half (49%) of all investments made in either the 2023/24 tax year or 2024/25 up until our survey was completed

(February 2025). Furthermore, this equated to around 54% by value of investments with London receiving approximately 43%.

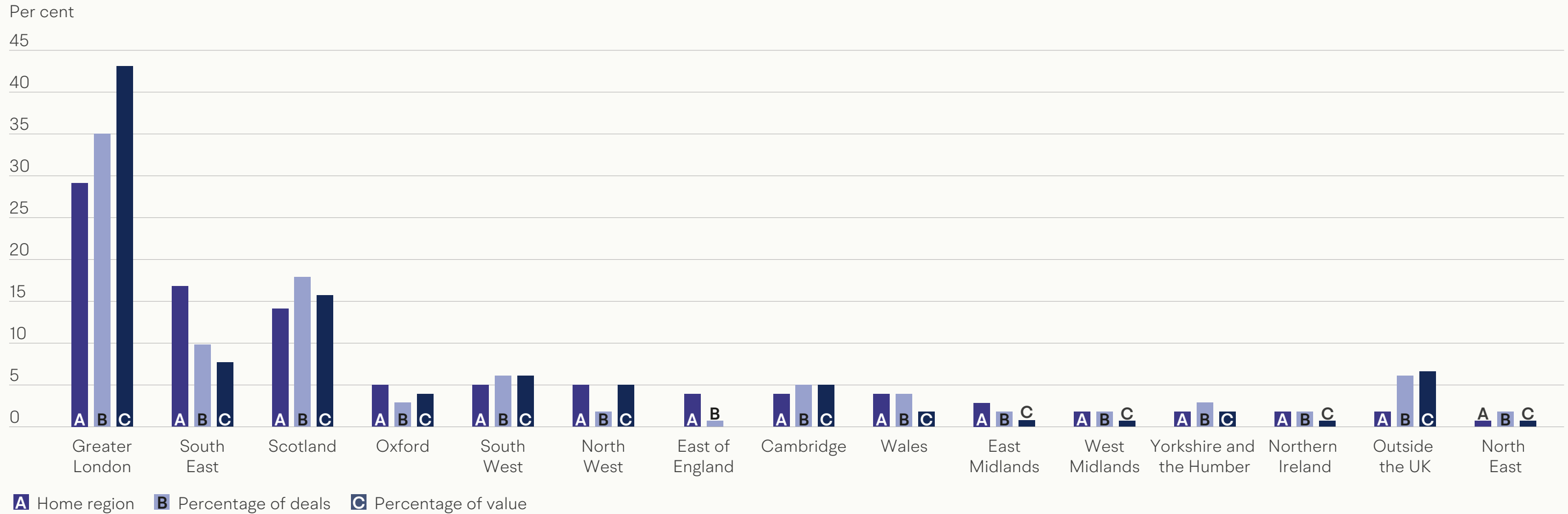
EIS and SEIS data also shows a similar pattern while reflecting the higher concentration of London based investors in their dataset. London received 49% of EIS and SEIS investment by both value and volume while the South East received 15% by value and 14% by volume.

Angel activity remains focused in London and the South East, but the wider equity market is even more so. London (47%) and the South East (8%) received 55% of smaller business equity deals in 2024, six percentage points higher than our angel survey deal percentage. Furthermore, London (61%) and the South East (7%) received 68% of equity funding by value, 13 percentage points higher than our angel sample.

Figure 3.7

Angels' home and investments by location in the 2023/24 tax year and since^{*,}**

Source: The UK Business Angel Market survey 2025



* Q11: Where do you live most of the time?

** Q9&10: What was the total approximate number and value by location of angel investments you made in the tax year ending April 2024 and since?

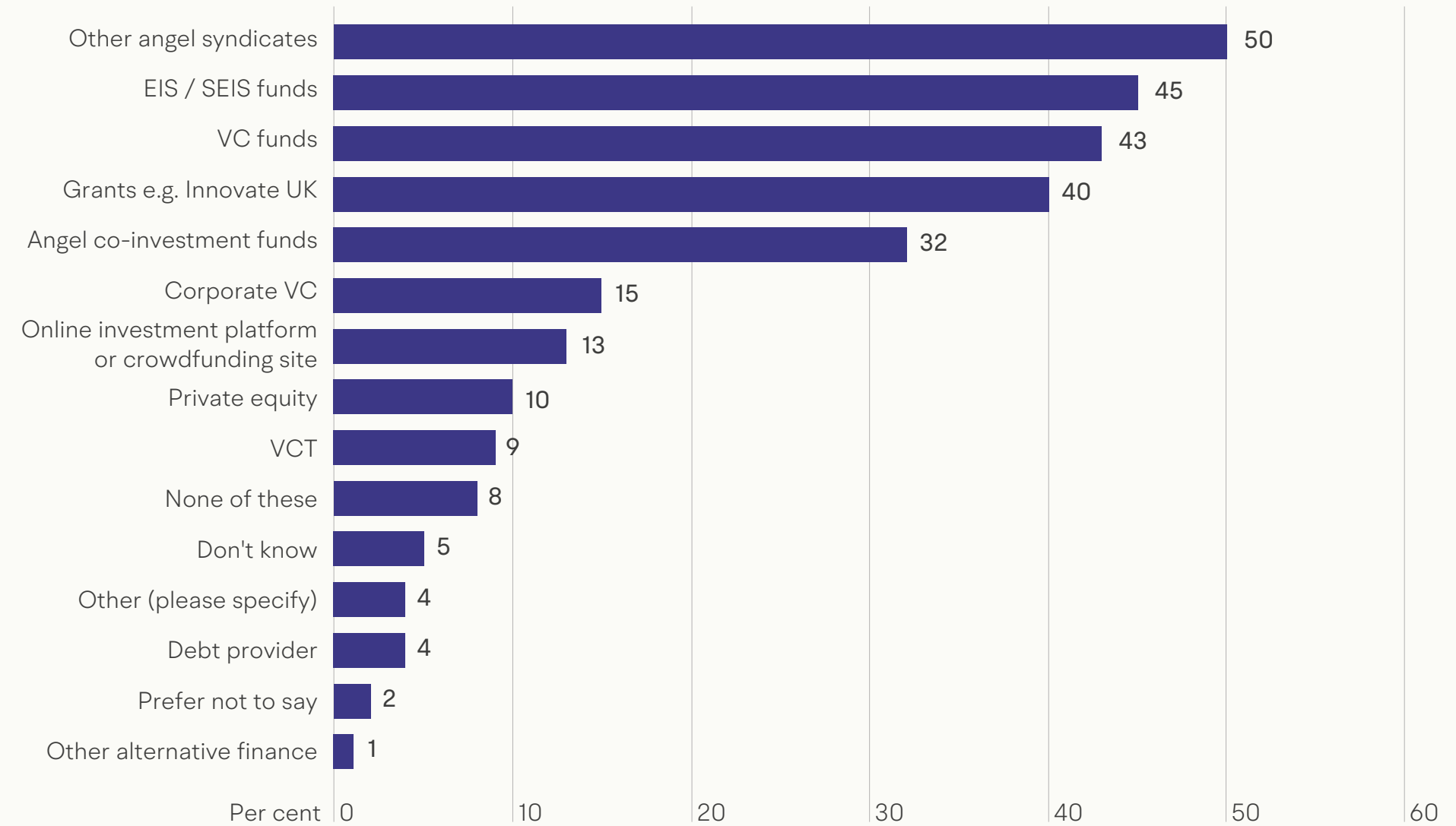
Angels are also key to regional and local ecosystems beyond just the funding they personally provide. Many bring in co-investors, such as other angels or alternative sources of equity, or help the business to access grants (figure 3.8). Furthermore, equity investors also often provide guidance, help connect firms with talent, whether at staff or board level, and with potential corporate customers, all of which can be more challenging in less developed ecosystems. Later down the line they can also help support these firms find the next stage of backing with ‘warm’ leads from angels to VC firms being significantly more likely to receive investments.

This uneven spread of angels across the UK, the relationship between location of investor and investment and the crucial role angels play in local ecosystems is why the Regional Angels Programme was established with the aim of helping reduce regional imbalances in access to early stage equity finance for smaller businesses across the UK.

Figure 3.8

Percentage of angels reporting co-investing with finance providers

Base: 195 (All BA who have made an investment in tax year ending 5th April 2024 or in the 2024/25 tax year up to February 2025)



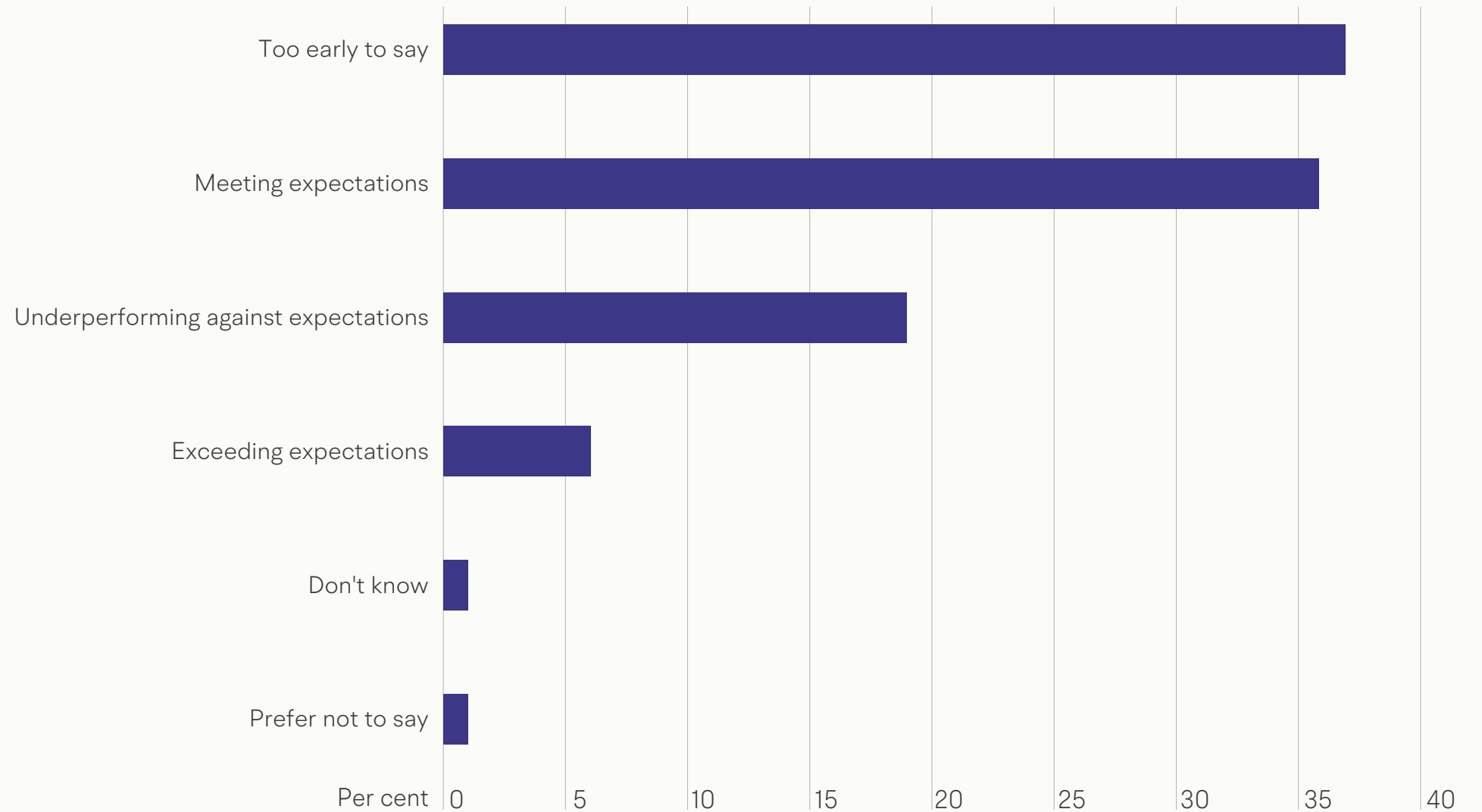
Portfolio performances are mostly meeting expectations, but turnover and employment growth is relatively subdued

Over two fifths (42%) of respondents indicated their investments were exceeding or meeting expectations, over double the number saying they were underperforming (19%) (figure 3.9). Furthermore, almost two thirds felt the portfolio was performing the same or better in comparison to the previous tax year. Unsurprisingly, more experienced angels' expectations show greater alignment with previous portfolio performance. 58% with 5+ years' experience have a portfolio that is meeting or exceeding expectations compared to only 17% of angels with less than 5 years' experience.

Figure 3.9

Performance of respondents' portfolios against expectations

Source: The UK Business Angel Market survey 2025 (n=249)

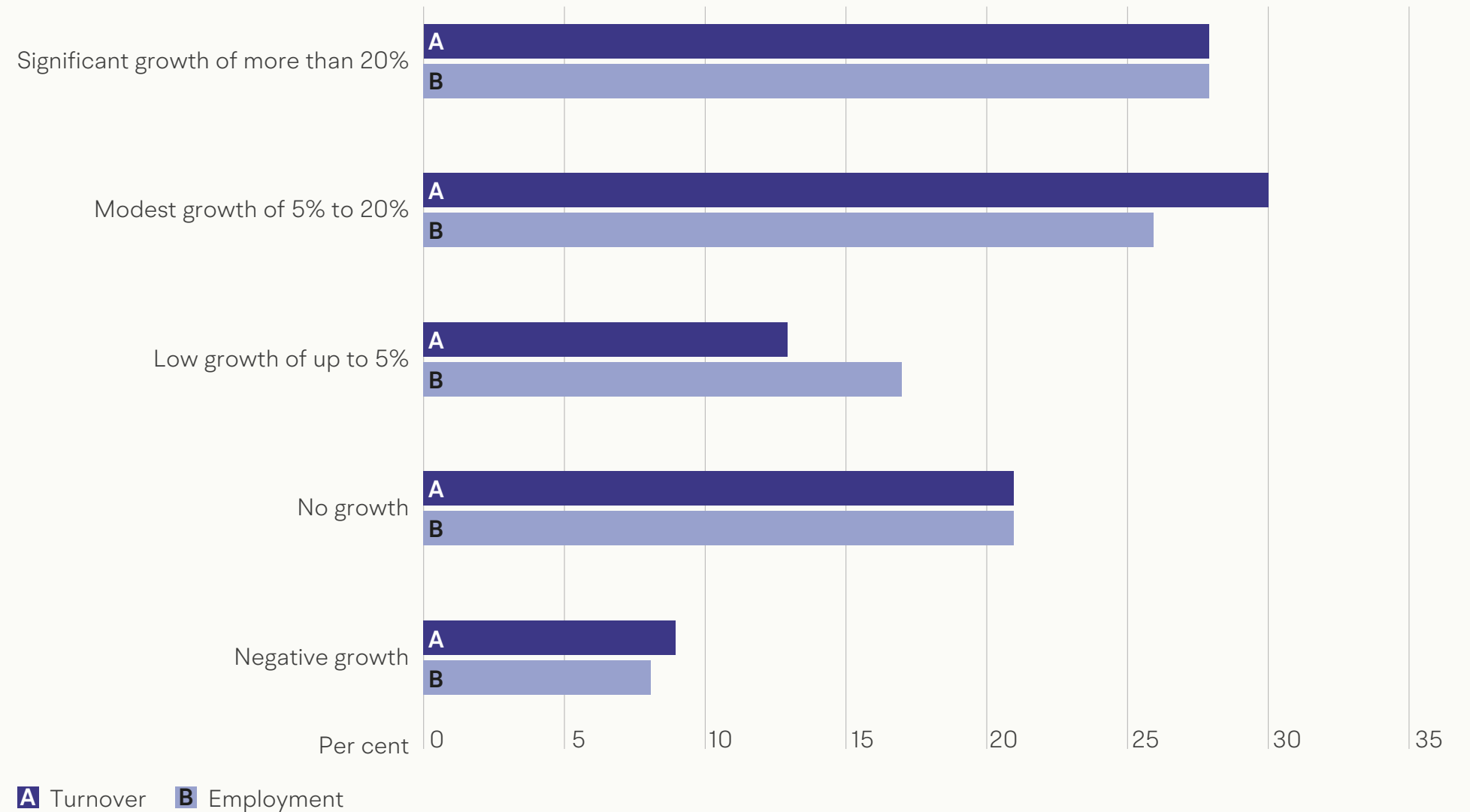


Close to three quarters of respondents reported positive growth performance across turnover and employment, with one quarter experiencing significant growth of 20%+ (figure 3.10). However, angels are significantly less likely to have seen growth of more than 20% in both turnover (28%) and employment (28%) in this year's survey compared to 2019 (41% and 39% respectively), reflecting the very different economic conditions at the time of the surveys.

Figure 3.10

Turnover and employment growth of respondents' portfolios

Source: The UK Business Angel Market survey 2025



Angels are being active in realising gains and looking to reinvest

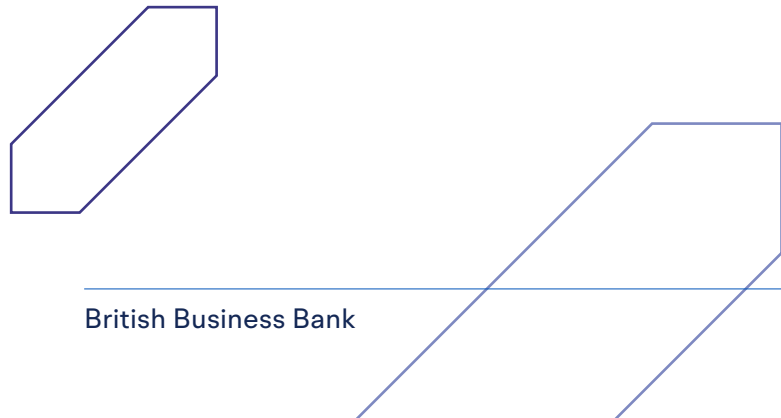
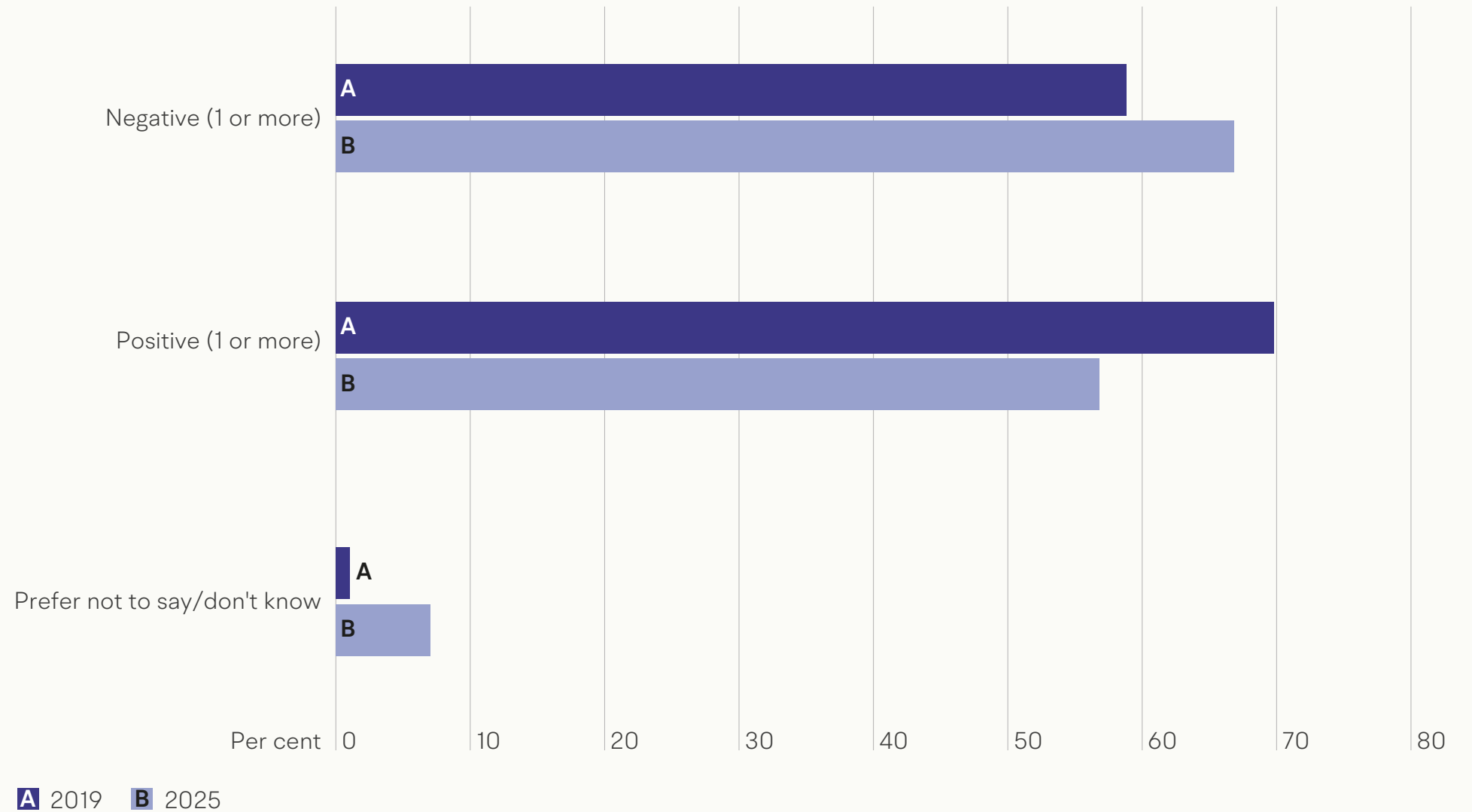
One third of angels exited an investment in the 2023/24 tax year. This was an increase on our previous survey when just over a quarter reported an exit in the 2018/19 tax year and against a challenging exit backdrop, as shown by our analysis of PitchBook VC exit data in chapter one. Of those angels reporting an exit in our latest survey, 57% reported one or more positive exits (figure 3.11).

While a higher percentage of angels reported experiencing one or more negative exits (67%), this is not necessarily a bad outcome given the nature of equity investing meaning one or two big successes pays for several weaker performing investments.

Figure 3.11

Respondents' exit outcomes for 2023/24 tax year

Source: The UK Business Angel Market survey 2025 (n=113)



A higher percentage of angels also reported exit multiples in excess of two (figure 3.12) although our 2025 survey also saw a big uptick in the percentage of angels reporting writing off investments compared to our 2019 survey. One potential explanation for this wide variance in exit multiples in our most recent survey is increasing professionalism and risk pooling within angel investors and syndicates where they are more willing and able to write off poorly performing investments and move on to the next opportunity.

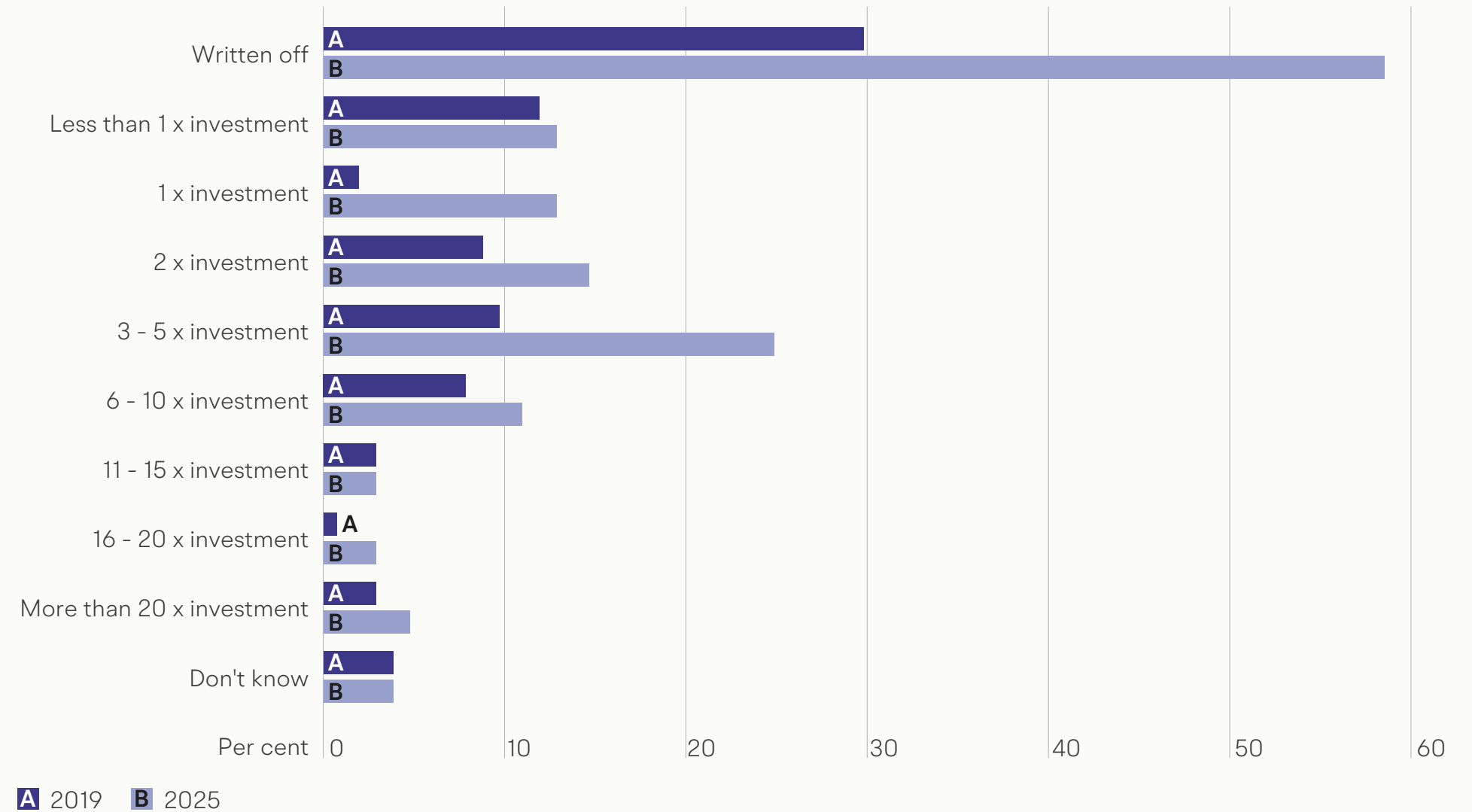
Looking forward, two fifths of respondents expected to have an opportunity to exit an investment in the 2024/25 tax year, with most respondents (84%) typically looking to reinvest gains from successful exits into further angel investments. Exits are important for angel investors, with a lack of exits the third ranked barrier to angels investing more in the next financial year (figure 3.13), after economic uncertainty and having access to high quality investments (figure 3.13).

This is particularly the case for angels with more than five years' experience (49%) who reported being more likely to need to exit investments to invest in new businesses compared to those with less than five years' experience (26%).

Figure 3.12

Respondents' approximate exit multiples for 2023/24 tax year

Source: The UK Business Angel Market surveys 2019 (n=508), 2025 (n=113)



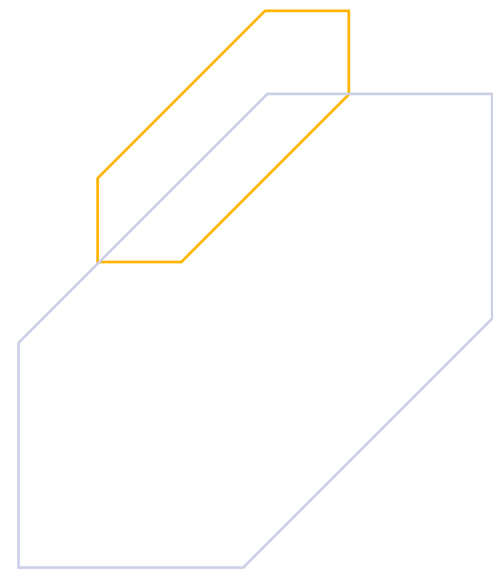
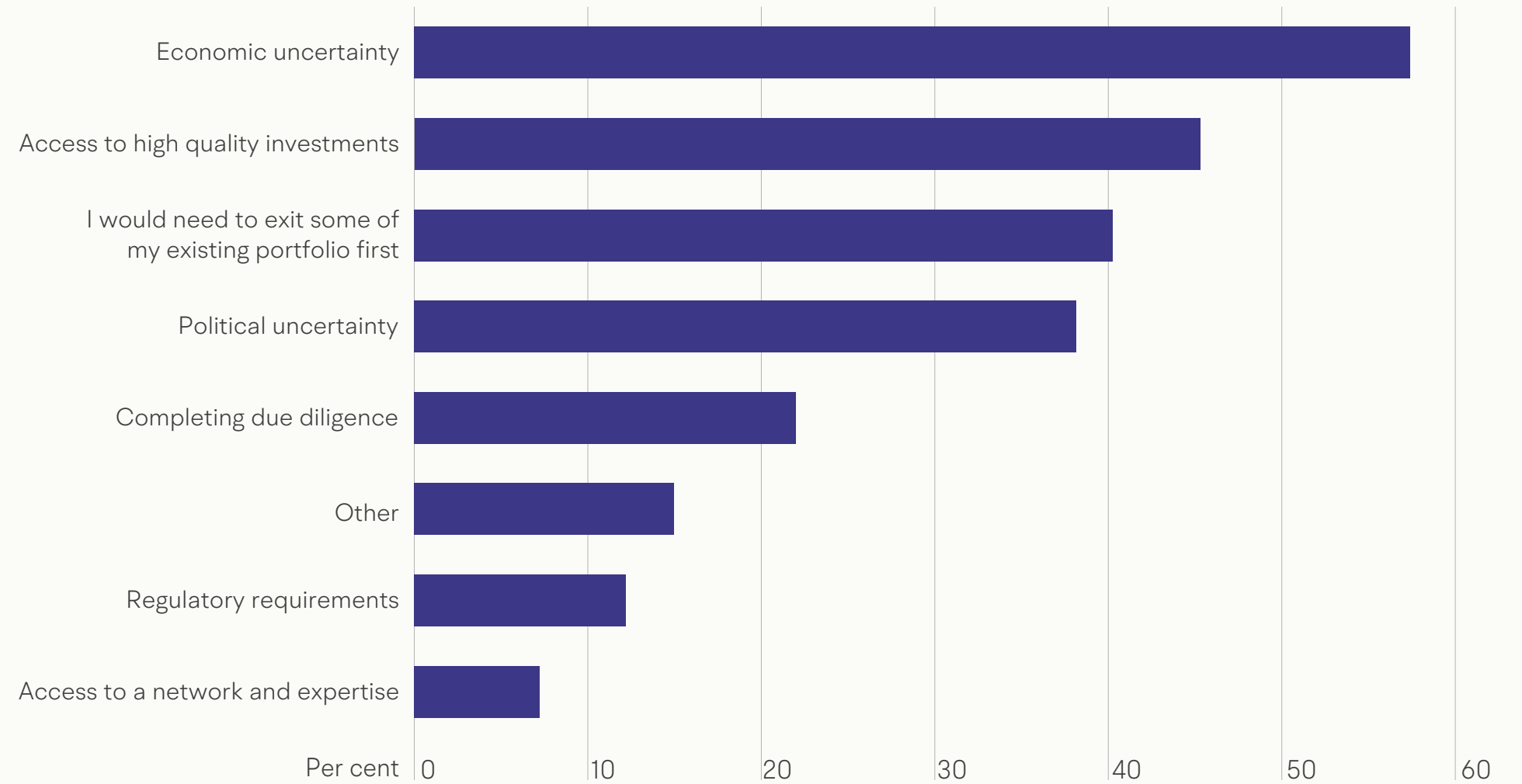


Figure 3.13

Barriers to angel investors

Source: The UK Business Angel Market survey 2025



Appendix



Overview of Beauhurst equity deal data

In this report, the term "equity investment" encompasses any form of external equity finance, excluding transactions conducted on public equity markets, buyouts, and rounds involving only family and friends without external investors. This definition therefore captures the activity of business angels, equity crowdfunding platforms, venture capital funds, corporate venture capital, and private equity funds.

The Equity Tracker report only includes investments and deals that have been publicly announced. This includes deals that have been announced via a government regulatory organisation, a press release, a news source, or have been confirmed with investees or investors. Although equity deals involving family and friends are not explicitly excluded, they are typically not publicly announced, and therefore not captured by our figures.

Another way Beauhurst identifies unannounced deals is by using share allotment filings. When a company allocates its shares, an SH01 form is submitted to Companies House. The identities of the new shareholders are not included in the SH01 form.

Whilst it is desirable to include as many deals as possible in our analysis, less information is available on unannounced deals, which is why this report focuses on announced equity deals only.

We also filter the Beauhurst data for the Equity Tracker report using an SME filter, removing large companies. The filter is based on the EC definition of an SME. It covers businesses with less than 250 employees and either a turnover of less than €50m or balance sheet total of less than €43m.

Only a small proportion of equity deals are announced, showing UK equity finance is larger in practice than the announced deal and investment figures contained in this report. In 2024, there were 2,048 announced deals and 3,342 unannounced equity deals giving a total estimated market size of 5,390 equity deals.

By number, announced deals made up a minority of all equity deals in 2024 (38%), which is consistent with previous years.

There is some variation in the proportion of deals that are announced by region and devolved nation. Over half of the deals in Scotland (62%), Wales (54%), and the North East (58%) were announced in 2024.

Contrary to that, in the South East, South West, West Midlands, East Midlands and London only 29%, 34%, 31%, 40%, and 35% of deals were announced, respectively. This may be a result of differences in the investor type active in each region and their relative likelihood to publicly disclose deals.

By investment value the picture is reversed, with announced deals making up 77% of the total value invested in 2024, supporting the robustness of our results as unannounced deals tend to be very small.

Angel and private investors are less likely to formally announce their investments than PE/VC investors, with larger equity deals having a greater likelihood of being announced. Investments made through the process of equity crowdfunding on the other hand, tend to get announced most of the time due to the investment opportunity being open to the public. This year's report builds on the previous 2024 Equity Tracker Report, as there have been continued refinements to the underlying dataset to ensure that this year's report is the most accurate assessment of the UK SME equity market at this point in time.

The figures in this new report supersede those previously quoted due to the inclusion of new equity deals since the previous reports were undertaken. Comparisons between figures in this year's Equity Tracker and last year's report are not recommended due to revisions in the number of historical deals. The Beauhurst data for this year's report is as of March 2025, so it is likely that some additional deals for 2024 will have been identified by Beauhurst since then. For more information on the methodology used to collect this equity data, please see Beauhurst's own website.

It is important to acknowledge that other data sources exist which also cover equity deals, including the British Private Equity and Venture Capital Association (BVCA), which measures the investment activities of its members, which are mainly comprised of Private Equity and Venture Capital funds. There are also other commercial data providers which gather data through a combination of technology (e.g. web-scrapers), analyst research and self-disclosure by fund managers.

These data sources will therefore have coverage of different types of investors and are not always consistent with one another. No single data source captures all equity deals in the market.

Beauhurst classifies equity deals into four stages; seed, venture, growth and established. These stages reflect product development, commercialisation, sales, and profitability levels in the recipient company. As in previous reports, we combine the growth and established stages for simplicity, which we refer to as the 'growth' stage. Beauhurst use a wide range of criteria for classifying companies between stages but the following definitions give a guide to the types of companies included in each stage:

- Seed stage encompasses young companies with a small team, and low valuation that have received lower levels of funding relative to the sector. There is a degree of uncertainty in their product-market fit or they are just getting started with the process of getting regulatory approval. Funding is likely to come from grant-awarding bodies, equity crowdfunding, and business angels.

- Venture stage covers companies that have been in existence for a few years and are in the process of gaining significant market traction. The venture stage does not solely correspond to funding by venture capitalists, as other investor types also provide funding to venture stage companies.
- Growth stage businesses are more developed with multiple offices or branches and substantial revenue streams (some of which may be profitable). The growth stage includes later stage VC-backed companies seeking to grow their core market, expand into new markets, or create new products/services.

Beauhurst also reports deals that are only partly funded by equity capital. Venture debt, loans, or grants issued to private companies are therefore reported if they have come in conjunction with equity finance in the specific funding round. The total reported investment may also therefore include a share of debt finance.

Beauhurst only includes deals involving the creation of new shares (injection of new capital into the company) and excludes buyout or merger and acquisition deals resulting in a change of ownership.

Overview of Industrial Strategy sector definitions

Chapter one provides an assessment of VC market gaps across the UK’s modern Industrial Strategy growth-driving sectors. To enable an analysis of VC deals in each area, the latest available government definitions of these sectors were mapped to PitchBook industry and vertical classifications, where a relevant/ appropriate category was available in the database. This mapping may not necessarily be consistent with the Government’s final approach to defining or measuring Industrial Strategy sectors, but at the time of the analysis, are the closest definitions available for VC-backed businesses. The defence sector is excluded given the unique challenges in capturing deals in this industry reducing the sample size and affecting the validity of the analysis.

Industrial Strategy growth-driving sector	PitchBook classifications
Advanced manufacturing	Advanced manufacturing
Clean energy	Cleantech; climate tech
Creative industries	Media*; marketing tech; gaming
Digital & technologies	Communications & networking; computer hardware; software; artificial intelligence & machine learning; semiconductors; cybersecurity; quantum computing
Financial services	Fintech; insurtech
Life sciences	Life sciences; pharma & biotech; health tech
Professional & business services	Accounting, audit & tax; consulting; legal services; legal tech

* PitchBook’s ‘media’ classification includes broadcasting, B2C information services, movies, music & entertainment, publishing and social content.

Overview of angel investment data

As part of its mission to improve finance markets for smaller UK businesses, the British Business Bank commissioned PwC Research to conduct a business angel survey in 2025, to build on the findings from our 2017 and 2019 UK Business Angel Market surveys. The 2025 survey was designed to both update the findings of our previous business angel reports and to delve into important issues such as diversity and the role angels play in regional and local ecosystems. Via the UK Business Angel Association (UKBAA) and our Regional Angels Programme, 249 business angels completed our online survey. The survey was conducted in February and early March 2025 and asked about both the profile of the respondent and the characteristics of their investments. Questions covered full tax years from 2021/22 to 2023/24 and the first three quarters of 2024/25.

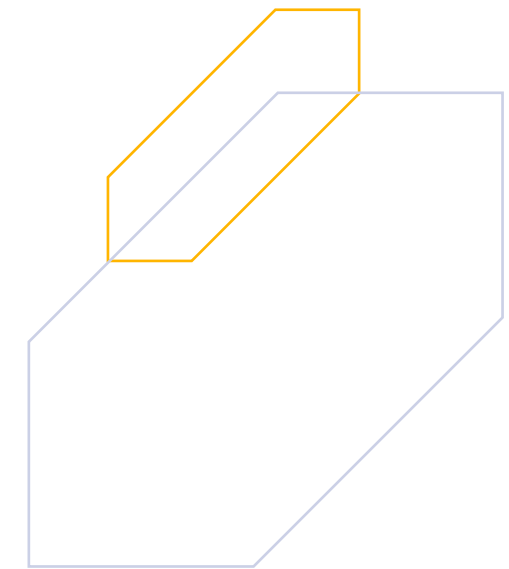
We define an angel as an individual who has made at least one equity investment in a small unquoted business that is not owned by their spouse, child or grandchild. The investee business may be at start-up stage, or in the early stages of development, or more established and looking for further growth. The investment may be made by an individual acting alone, or through an angel syndicate, network or club. Participants were required to have made an equity investment as a business angel within the past three tax years (2021/22 onwards). For the purposes of this research, participants were asked to exclude any investments that they have made as an individual on an online investment platform or crowdfunding site but to include those made when co-investing.

The UKBAA, which covers 18,000 investors investing through 60 groups, confirms that no statistic measuring the annual number and value of equity deals undertaken by angel investors in the UK is fully immune to critique surrounding robustness. However, it is widely acknowledged that the most reliable source of data for angel market investment can be found via the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS), informing our methodology when assessing the size of the business angel market in this year's report. In the 2025 UK Business Angel Market survey, 88% of respondents who had made an investment during the 2023/24 tax year utilised either EIS or SEIS. This confirms that EIS and SEIS investment data continues to have comprehensive coverage of UK business angel activity.

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Endnotes

1. BBB (2018) The UK Business Angel Market report.
2. BBB & UKBAA (2020) The UK Business Angel Market 2020 report.
3. For the analysis in real terms, data has been converted into 2022 prices using the GDP deflator from the Office for National Statistics (ONS). 2022 is currently used as a base year for real GDP data in the national accounts.
4. PitchBook (2024) Q4 2024 PitchBook-NVCA Venture Monitor.
5. Office for National Statistics (2025) GDP quarterly national accounts, UK: October to December 2024.
6. International Monetary Fund (2025) United Kingdom: Staff Concluding Statement of the 2025 Article IV Mission.
7. British Business Bank (2022) Small Business Equity Tracker 2022 Report.
8. This captures any deal involving a university spinout regardless of the company's stage.
9. British Business Bank (2025) Small Business Finance Markets report 2025.
10. PitchBook (2025) PitchBook-NVCA Venture Monitor Q4 2024.
11. British Business Bank (2024) Small Business Equity Tracker 2024 report. The fourth chapter of this report provided an assessment of the average progression rates and round sizes for UK/US companies as they move from the first to sixth rounds.
12. <https://www.gov.uk/government/consultations/invest-2035-the-uks-modern-industrial-strategy/invest-2035-the-uks-modern-industrial-strategy>.
13. The definitions may not necessarily be consistent with the Government's approach to defining or measuring IS sectors, but at time of analysis, are the closest definitions available for equity backed businesses.
14. While the multiple of US to UK investment is high at 1.9x, it should be noted that the smaller size of this sector means the gap is lower than other industries in absolute terms. The gap in advanced manufacturing is partly driven by two very large US deals in 2024 amounting to £1.0bn, including a robotics company Figure AI and a quantum company PsiQuantum.
15. Includes research institutes as well as universities.
16. Department for Business & Trade (2024) Invest 2035: the UK's modern industrial strategy.
17. <https://www.british-business-bank.co.uk/about/research-and-publications/finding-what-works-pathways-to-improve-diversity-in-venture-capital-investment>.
18. <https://www.british-business-bank.co.uk/about/governance/diversity-equity-and-inclusion/investing-in-women-code>.
19. Awaken Angels, Mint Ventures, Women Angels of Wales and Lifted Ventures.



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