Investment into Spinouts 2026

Insights on investment
data from 2025

Contents

Foreword

"The companies that will thrive are those that invest in transaction-readiness early and approach fundraising strategically and with foresight."

Having spent many years advising life sciences and technology spinouts from Oxford, Cambridge, Imperial and other leading research institutions, I have watched the UK spinout ecosystem mature into one of the world's most dynamic. 2025 has tested that resilience, but the fundamentals remain strong.

Equity investment of £1.96b and 384 deals seems to represent a more selective market, not a broken one. Capital is still being deployed to high potential businesses, and the shift towards earlier-stage rounds shows investors still backing promising technology at the outset. Digital and AI-focused spinouts have performed especially well, with Artificial Intelligence recording 71 deals and several sub-sectors within Digital and Technologies exceeding their three-year averages on deal value.

In our practice, we continue to see founders working on genuinely world-changing problems in medicine, cleantech, AI and beyond, attracting serious investor interest.

The Golden Triangle universities continue to lead, with Cambridge and Oxford spinouts combined raising more than £800m in 2025, but regional ecosystems are showing growing strength, including in Edinburgh, Bristol and Manchester. Public investors like Scottish Enterprise have played a vital anchoring role outside the South East.

Grant funding has contracted, and the pause in Innovate UK's Smart Grants programme created disruption. But the government's Modern Industrial Strategy and Life Sciences Sector Plan signal a clear long-term commitment to the sectors that spinouts disproportionately represent.

The last year has seen a number of high value exits, including $1b+ exits for OrganOx and Oxford Ionics, demonstrating the returns which this sector can generate and adding to the attractiveness for investors. The companies that will thrive are those that invest in transaction-readiness early and approach fundraising strategically and with foresight. The pipeline of talent and ideas emerging from UK universities has never been stronger.

James Went
Partner
Penningtons Manches Cooper

Equity investment

In 2025, spinouts received £1.96b in equity investment, the lowest total since 2020 and a 45.1% drop from 2024's £3.57b. Average investment per deal fell from £7.65m in 2024 to £5.10m in 2025, returning to more typical levels after the 2024 spike in average round size. Deal numbers declined to 384, the lowest since 2016, diverging from the sustained elevation seen between 2020 and 2024.

Although 2024's total was boosted by megadeals for Autolus and Bicycle Therapeutics, which together represented over a quarter of investment that year, spinout funding has otherwise declined annually since 2021. The two largest deals in 2025 accounted for just 12.9% of the total, indicating that the downturn extends beyond the absence of megadeals.

This marks a departure from the wider UK equity market, where total investment and average deal sizes increased in 2025 despite a fall in deal numbers. Nationally, capital appears to be concentrated into fewer, larger rounds, favouring more mature, lower-risk companies. By contrast, spinouts may be perceived as riskier by investors for structural reasons: they are typically younger, IP-intensive companies with longer paths to commercialisation, leaving them at a disadvantage in a more selective market.

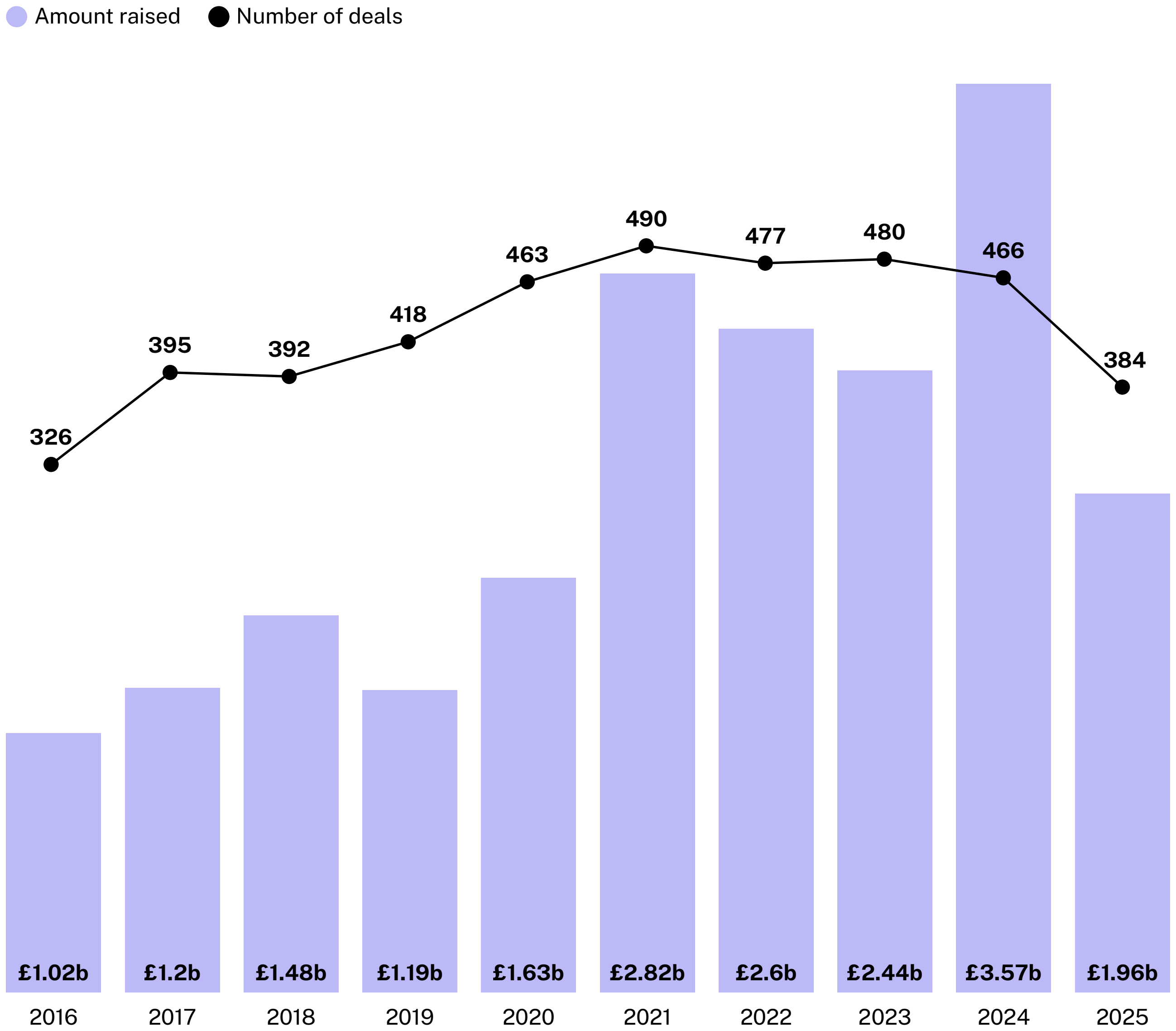
Spinout investment by deal count in 2025 is underpinned by regionally-focused and public capital, alongside a diverse range of funder types.

Funds managed by Scottish Enterprise participated in a total of 32 deals in 2025, highlighting the importance of public capital in anchoring early stage investment, particularly outside the South East. Investments included Dxcover, a biotechnology company that raised £5.04m to develop blood tests for brain cancer detection.

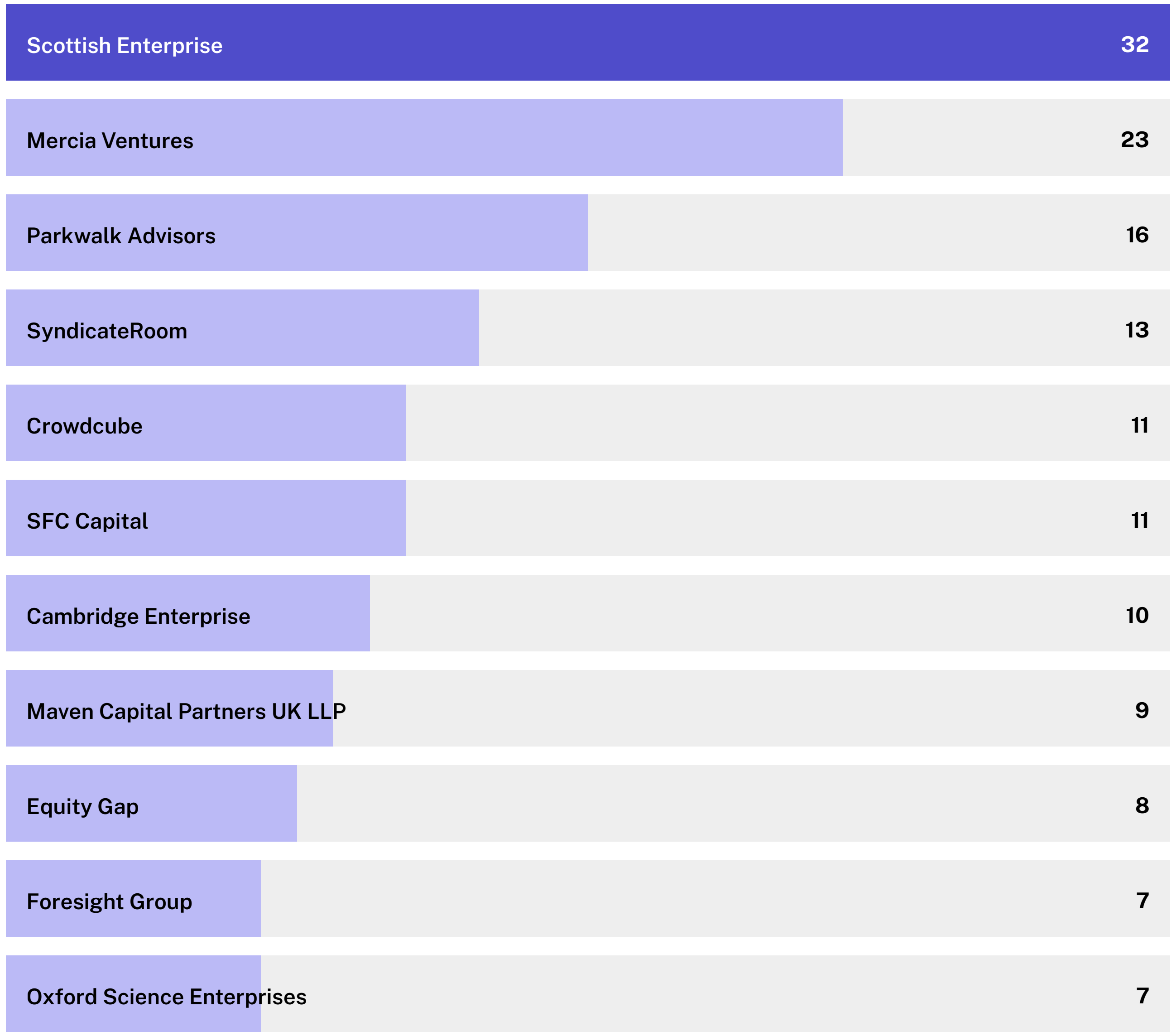
Mercia Ventures ranked second, with Mercia-managed funds contributing to 23 deals. Mercia specialises in regional investment outside London and manages multiple equity funds targeting historically underrepresented regions. Its investments in 2025 included Leeds-based AssetCool, which spun out from the University of Manchester in 2017 and has developed robotic systems to coat overhead power lines.

Other funders specifically focusing on spinouts feature prominently in the rankings, including Parkwalk Advisors (16 deals), Cambridge Enterprise (10 deals) and Oxford Science Enterprises (7 deals), alongside regionally-focused Foresight Group (7 deals). Crowdfunding platform Crowdcube (11 deals) also featured, as did early-stage specialists SFC Capital (11 deals) and venture capital fund Syndicate Room (13 deals), together illustrating the breadth of funder types active in the spinout ecosystem.

01 Equity investment into UK spinouts (2016-2025)



02 Top investors in spinouts by number of equity deals (2025)



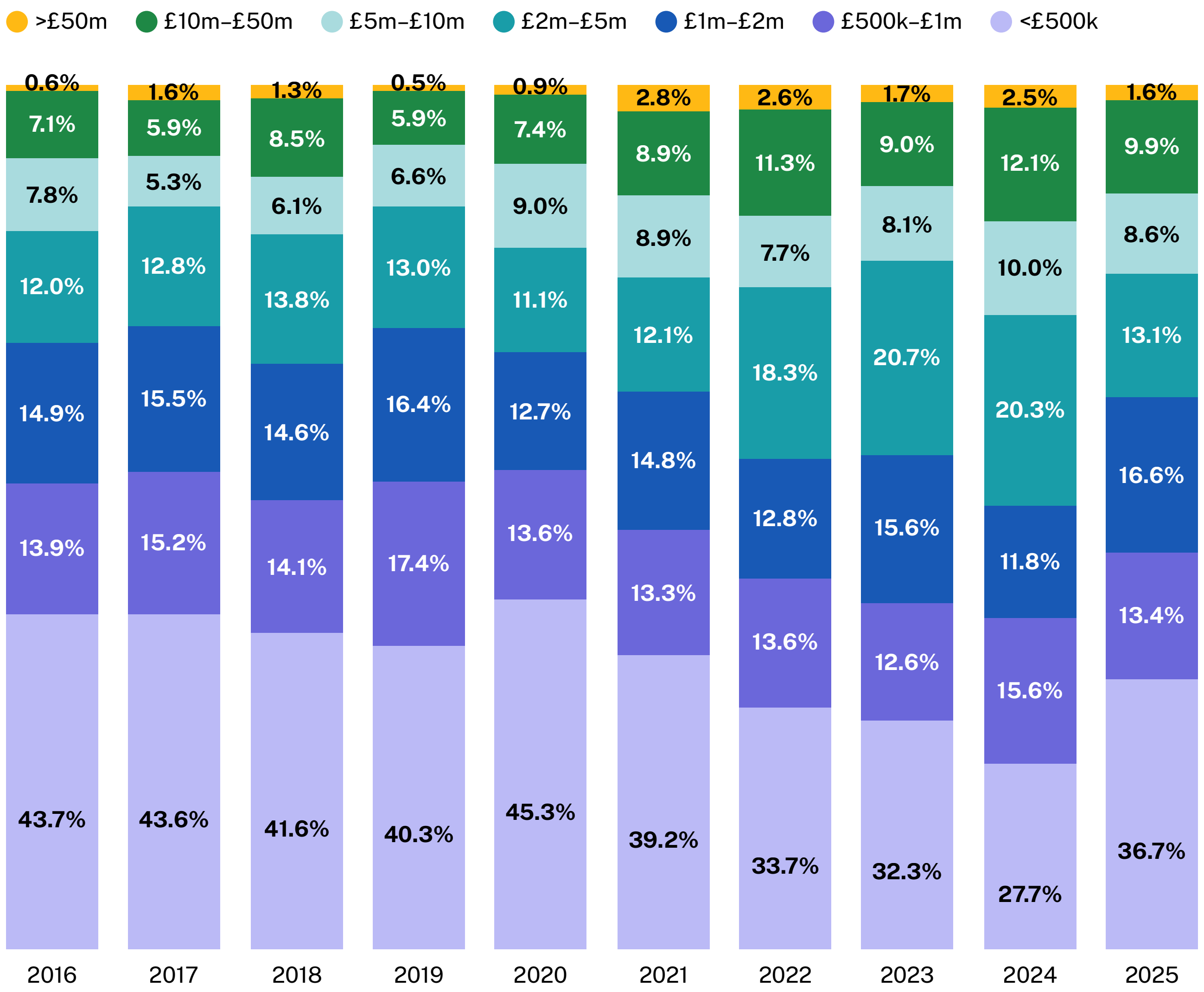
Over the past decade, the UK spinout market has seen a gradual but marked shift towards larger deal sizes, though 2025 shows signs of a potential reversal.

During the first half of the decade, the spinout market was dominated by smaller deals, with investments under £500k consistently accounting for over 40% of all deals and peaking at 45.3% in 2020. This trend began to moderate between 2021 and 2024, when sub-£500k deals accounted for just 27.7% of investment rounds.

Correspondingly, deals in larger brackets began to make up a greater proportion of investment, with notable rises across mid-sized brackets. Deals over £50m made up more than 2% of investment in all but one year of this period, suggesting a maturing market with companies moving away from smaller, seed-stage investments towards larger and later deals.

Deal size distribution in 2025 shows a slight deviation from this trend. The proportion of fundraisings below £500k rose 9 percentage points to reach 36.7% of deals, while the share of deals in the top four brackets declined. This indicates that 2025's drop in average deal size is not attributable to a lack of larger deals, but may instead reflect a market shift back towards lower-value, earlier-stage deals.

03 Proportion of equity deals into spinouts by deal size (2016-2025)[1]



1 Where the amount invested per deal is known.

Grant funding

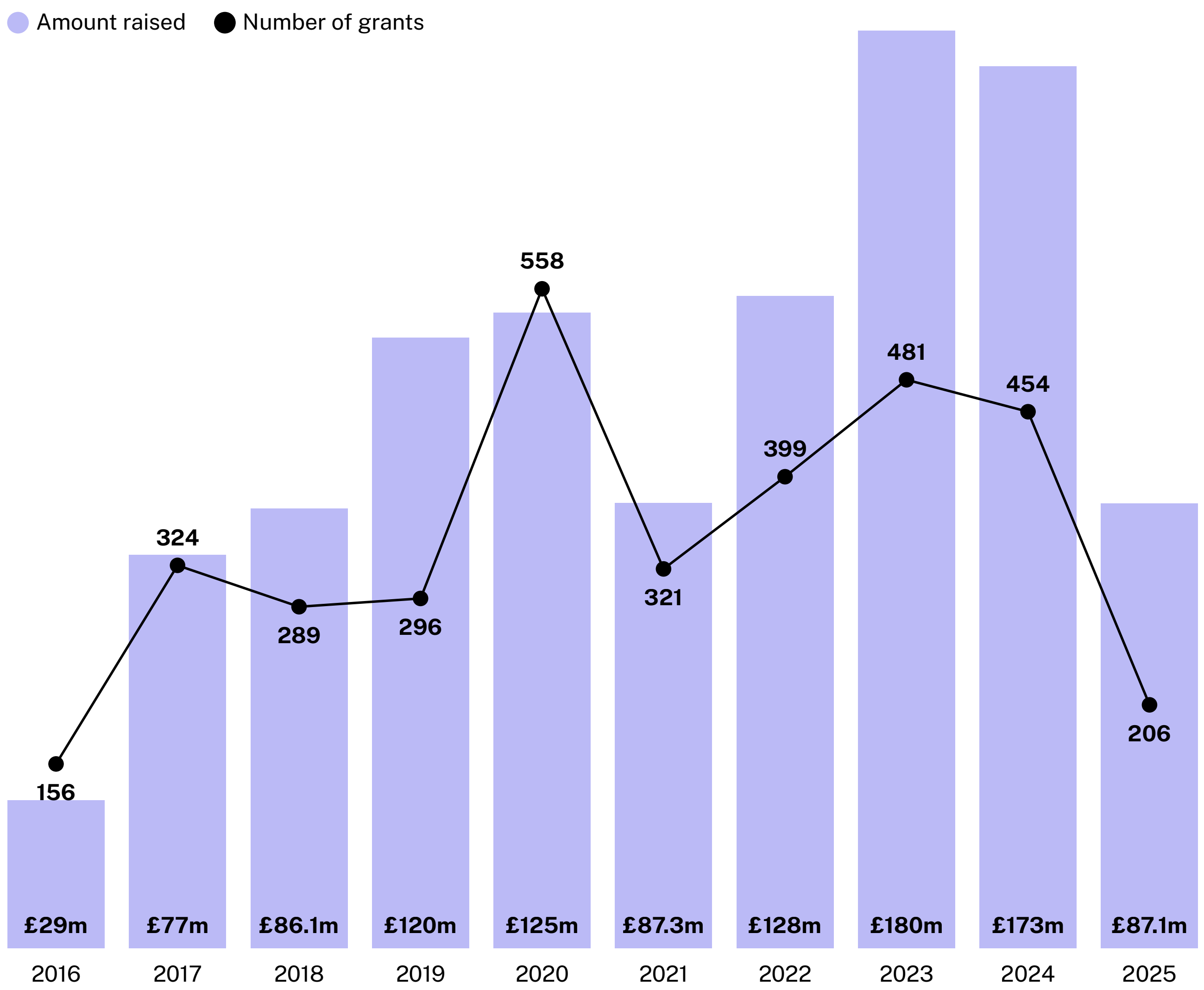
Grant funding awarded to spinouts from Innovate UK, the UK's national innovation agency, has shown volatility over the past decade, with significant fluctuations in both total value and award numbers. After 2023's peak, the sharp contraction in 2025 suggests more than cyclical variation and may reflect a shift in government funding strategy.

While the decline mirrors decreases in grant awards across the wider UK market, 2025's particularly weak performance may also result from a move towards more targeted support for a smaller group of companies.

The total value of awards fell 49.7%, from £173m in 2024 to £87.1m in 2025, while award numbers dropped from 454 to 206, the lowest since 2016. Despite this retrenchment, average grant size rose 10.96% to £423k, indicating that capital is being concentrated into a more selective cohort of recipients.

Disruption to the funding landscape likely contributed to the downturn. Innovate UK paused its Smart Grants programme in January 2025, while its new Growth Catalyst programme only opened in July of that year. UK Research and Innovation, Innovate UK's parent organisation, is also transitioning to a more selective funding model.[2] Programme gaps and shifting priorities may have constrained short-term flows, while signalling a more concentrated environment for spinouts seeking public support.

04 Grant funding awarded to UK spinouts (2016-2025)



2 UK Research and Innovation, "Open Letter from Ian Chapman to Research and Innovation Community," UKRI, 1 February 2026, accessed February 17, 2026.

Industry investment

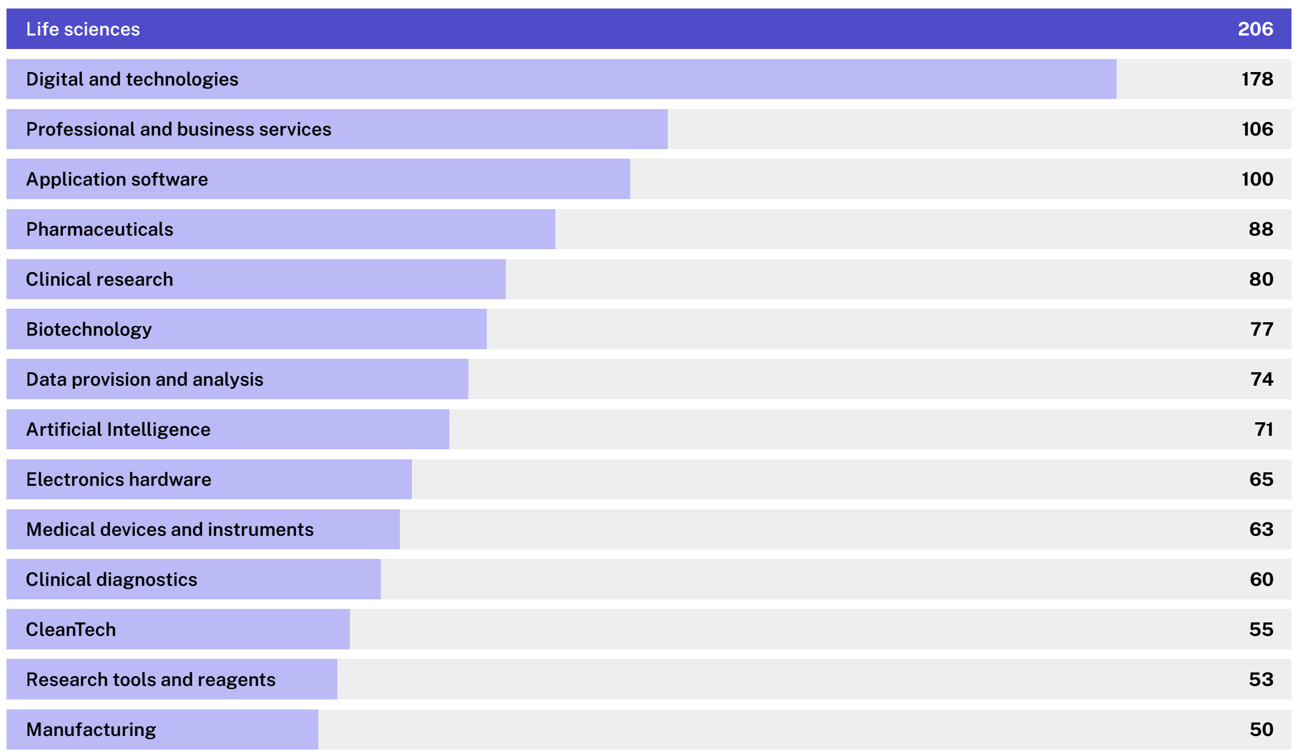
In July 2025, the government released its Modern Industrial Strategy, outlining eight priority sectors for R&D funding, known as IS-8s. Three of these - Life Sciences,[4] Digital and Technologies,[5] and Professional and Business Services - dominated the spinout equity landscape. Life Sciences recorded the highest deal count (206), followed by Digital and Technologies (178) and Professional and Business Services (106), reinforcing their role as key growth drivers in the UK economy. Industries within Life Sciences and Digital and Tech-nologies also performed strongly. Application software led with 100 deals, followed by pharmaceuticals (88), clinical research (80) and biotechnology (77), broadly reflecting the wider spinout population, where life sciences and technology companies predominate.

However, while Life Sciences led by deal volume, its 2025 performance fell below its three-year trend. Pharmaceuticals, clinical diagnostics and precision medicine, as well as the Life Sciences IS-8 overall, recorded both fewer deals and smaller average round sizes relative to their recent averages, indicating moderated momentum rather than structural decline. Life Sciences spinouts face sector-specific challenges including proof-of-concept funding gaps, regulatory complexity and delayed market entry, alongside difficulties accessing later-stage capital.[6]

The government's Life Sciences Sector Plan seeks to address these barriers by reducing clinical trial set-up times, streamlining procurement and improving efficiency at the Medicines and Healthcare products Regulatory Agency. It also proposes up to £520m in manufacturing funding and £600m for a national health data platform,[7] measures which could support Life Sciences spinouts to commercially leverage their research and regain investment momentum. By contrast, several industries within Digital and Technologies outperformed their three-year averages on deal value. Artificial Intelligence (71 deals), CleanTech, robotics and automation, sensors and Big Data all recorded higher average round sizes.

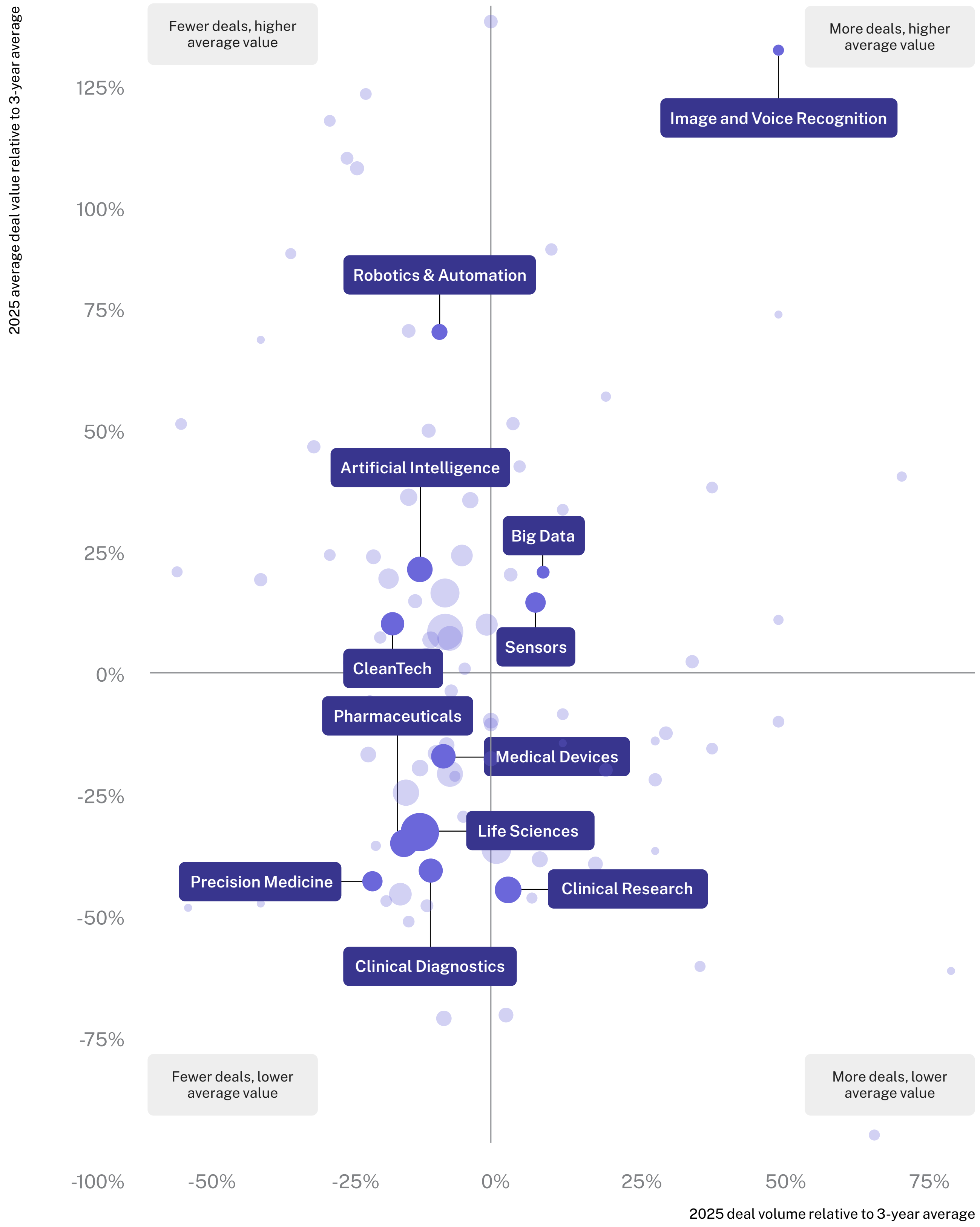
Image and voice recognition was a standout, supported by a £55.7m investment into Oxa in December 2025. Digital and Technologies spinouts may be benefitting from a selective equity market, alongside faster development cycles and lower upfront capital requirements than their Life Sciences counterparts.

05 Top industries by number of equity deals in spinouts (2025)[3]



3 Companies can be included in more than one industry. For more information, please see the Methodology section.
4 Life Sciences (IS-8) comprises a number of the industries displayed in the chart including: Pharmaceuticals, Clinical research, Biotechnology, Medical devices and instruments, Clinical Diagnostics, and Research tools and reagents.
5 Digital and Technologies (IS-8) comprises a number of the sectors displayed in the chart including Artificial Intelligence, Data provision and analysis, Application software, Electronics hardware and CleanTech.

06 Deal volume and average value relative to industry's three-year average (2023-2025)*



*Dot size corresponds to that industry's number of 2025 deals.
6 Tim Haines, "Written Evidence from Tim Haines, Managing Director, Abingworth (SUK0010)," UK Parliament Select Committee Written Evidence, accessed [February 18, 2026].
7 UK Government, Life Sciences Sector Plan, published 16 July 2025, Office for Life Sciences.

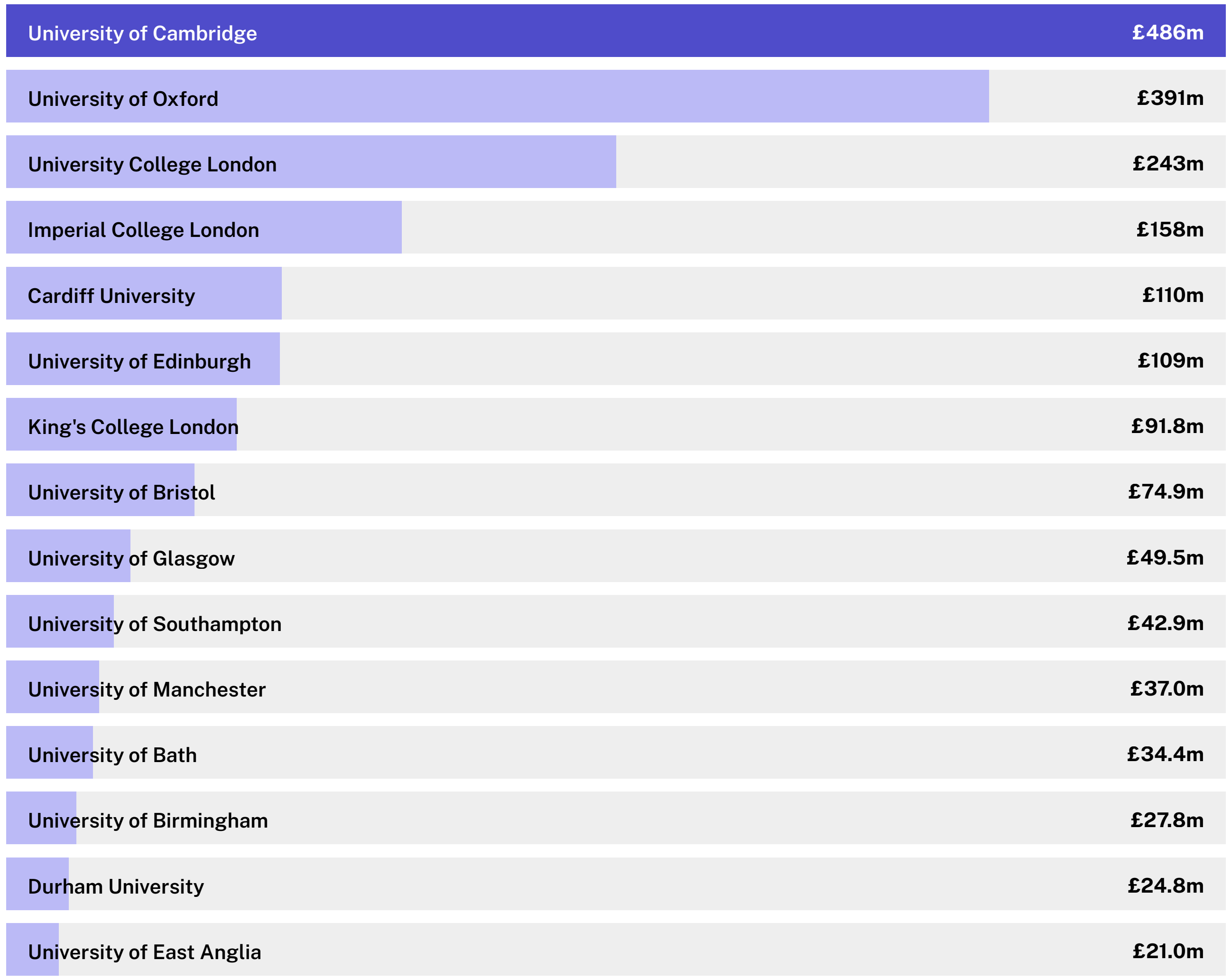
University performance

The University of Cambridge ranked first both for the amount of equity raised in 2025 and the number of equity deals, with Cambridge spinouts securing £486m across 52 rounds. Oxford ranked second on both metrics, and University College London spinouts secured the third-largest amount of equity investment: £243m, of which £146m went to its AI spinout Synthesia. Imperial College London ranked fourth in terms of amount raised in 2025, and third for the number of equity deals. The continued success of ‘Golden Triangle’ institutions in producing equity-backed spinouts underlines their structural strengths in the research commercialisation pipeline.

A vehicle holding shares in Oxford Science Enterprises, the University of Oxford’s spinout partner fund, is expected to become the first asset to be traded under the new Private Intermittent Securities and Capital Exchange System (PISCES) framework, allowing for secondary trading of its shares while bypassing a traditional stock exchange listing.[8] This may improve liquidity and broaden investor access to Oxford’s spinout pipeline, potentially reinforcing Oxford’s robust position in spinout formation and investment.

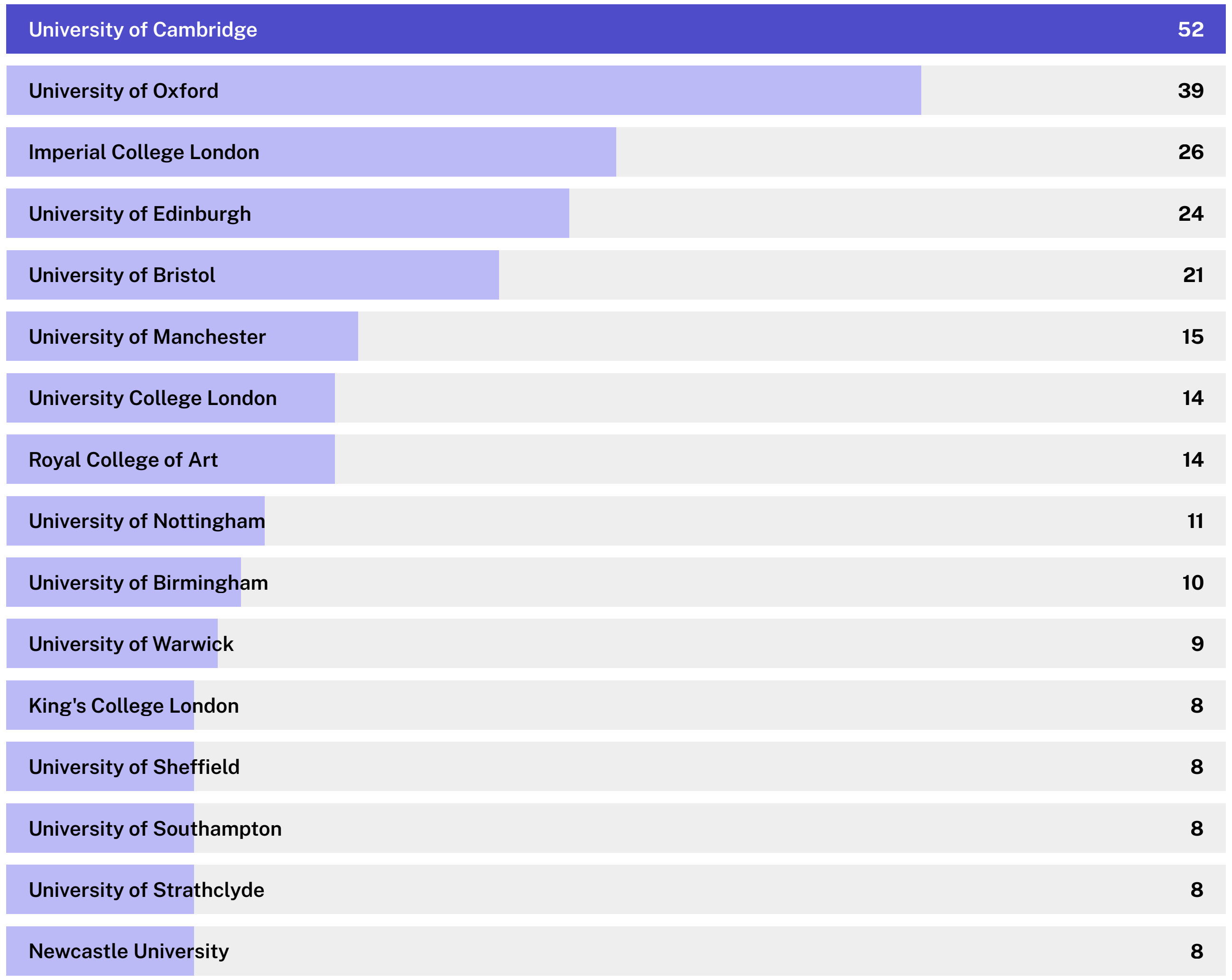
Turning to institutions in the UK’s other nations and regions, Cardiff University performed strongly in fifth place by equity investment, with its spinouts securing £110m in 2025, but this was largely propelled by a £107m deal for Draig Therapeutics. Other high-ranking institutions outside of the ‘Golden Triangle’ include the Universities of Edinburgh, Glasgow, Bristol and Manchester, all of which are connected to regional investment ecosystems, with proximity to research infrastructure and access to a large talent pool. Spinouts from the Royal College of Art secured 14 equity deals in 2025, the largest of which was for ROLI, which develops AI-integrated musical instruments and AI-based music learning software. ROLI highlights the growth potential for spinouts that work across sectors, integrating new technologies with the creative arts.

07 Top academic institutions by equity volume secured by their spinouts (2025)



8 Ali Lyon, “London Stock Exchange Confirms First Firm on Pisces Framework,” City A.M., February 20, 2026.

08 Top academic institutions by number of equity deals secured by their spinouts (2025)



Regional investment

Regional spinout investment performance in 2025 is mixed compared with previous three-year averages. Across the UK's 12 regions and nations, average deal value increased in six and declined in six relative to their prior three-year performance. The largest relative increase in average deal value was seen in Wales, which was propelled by a £107m investment into Cardiff-based Draig Therapeutics. The North East and Yorkshire and The Humber also experienced increases in average deal size, defying the broader national decline in average round values for spinouts. The largest deals for both regions were, respectively, a £19.6m investment into Iksuda Therapeutics and a £23.0m fundraising for Optalysys.

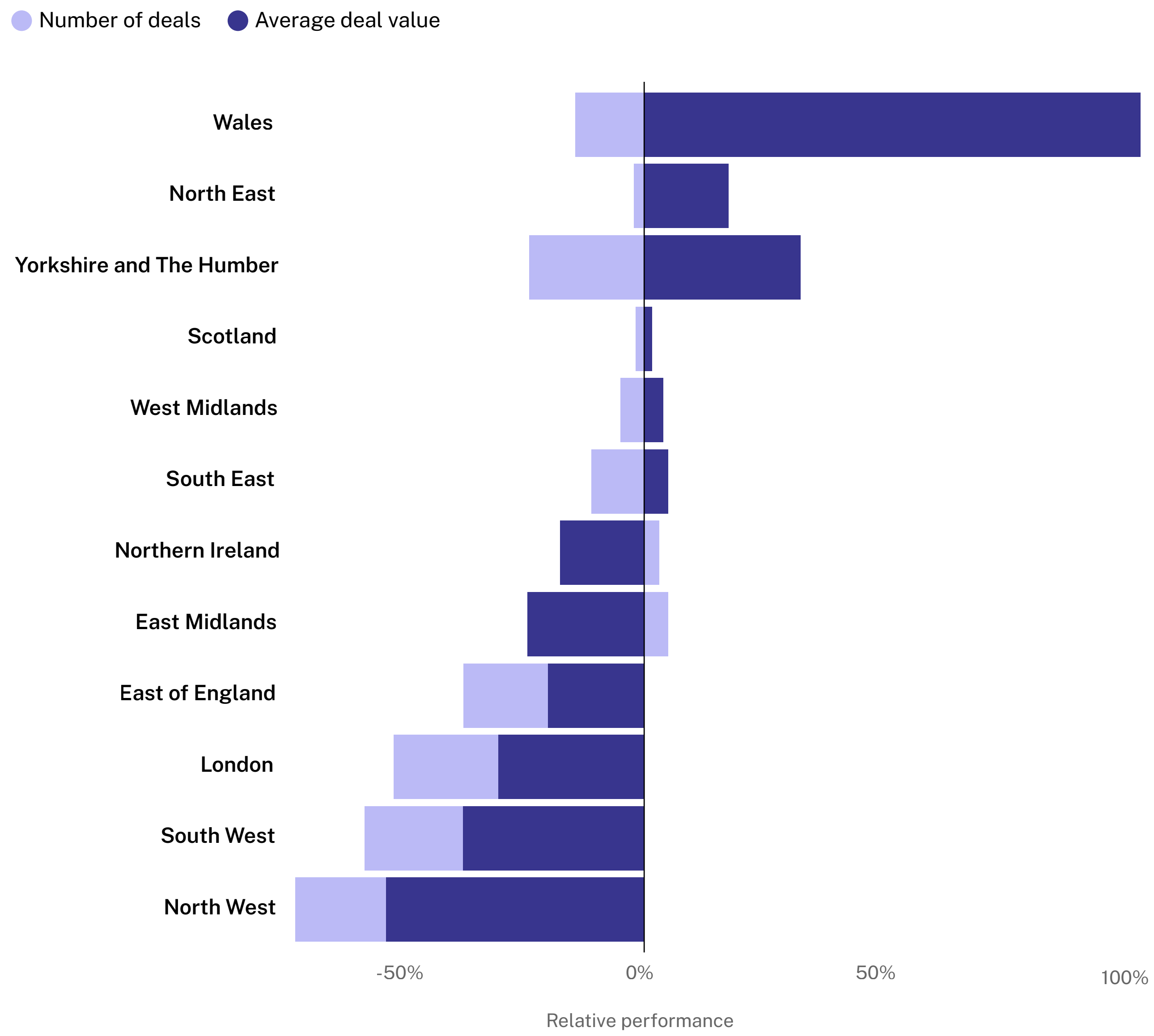
Only Northern Ireland and the East Midlands saw an increase in deal numbers compared to their prior three-year averages. The overall drop in deal numbers was therefore not driven by underperformance in any particular region, but represents a UK-wide contraction in spinout activity. While 2024 was an exceptional year in terms of both deal value and deal numbers, the weaker performance in 2025 relative to companies' previous three-year averages suggests this is more than a simple normalisation. Instead, it points towards a broader cooling in regional spinout activity.

Investment into spinouts remains heavily concentrated in the 'Golden Triangle' of Oxford, Cambridge and London. South Cambridgeshire was the top-performing local authority with 22 deals, ahead of Cambridge city (19), together forming the UK's largest spinout cluster. Activity is increasingly extending beyond historic city centres into surrounding innovation districts, with planned expansion at Cambridge Science Park reflecting continued decentralisation.[9]

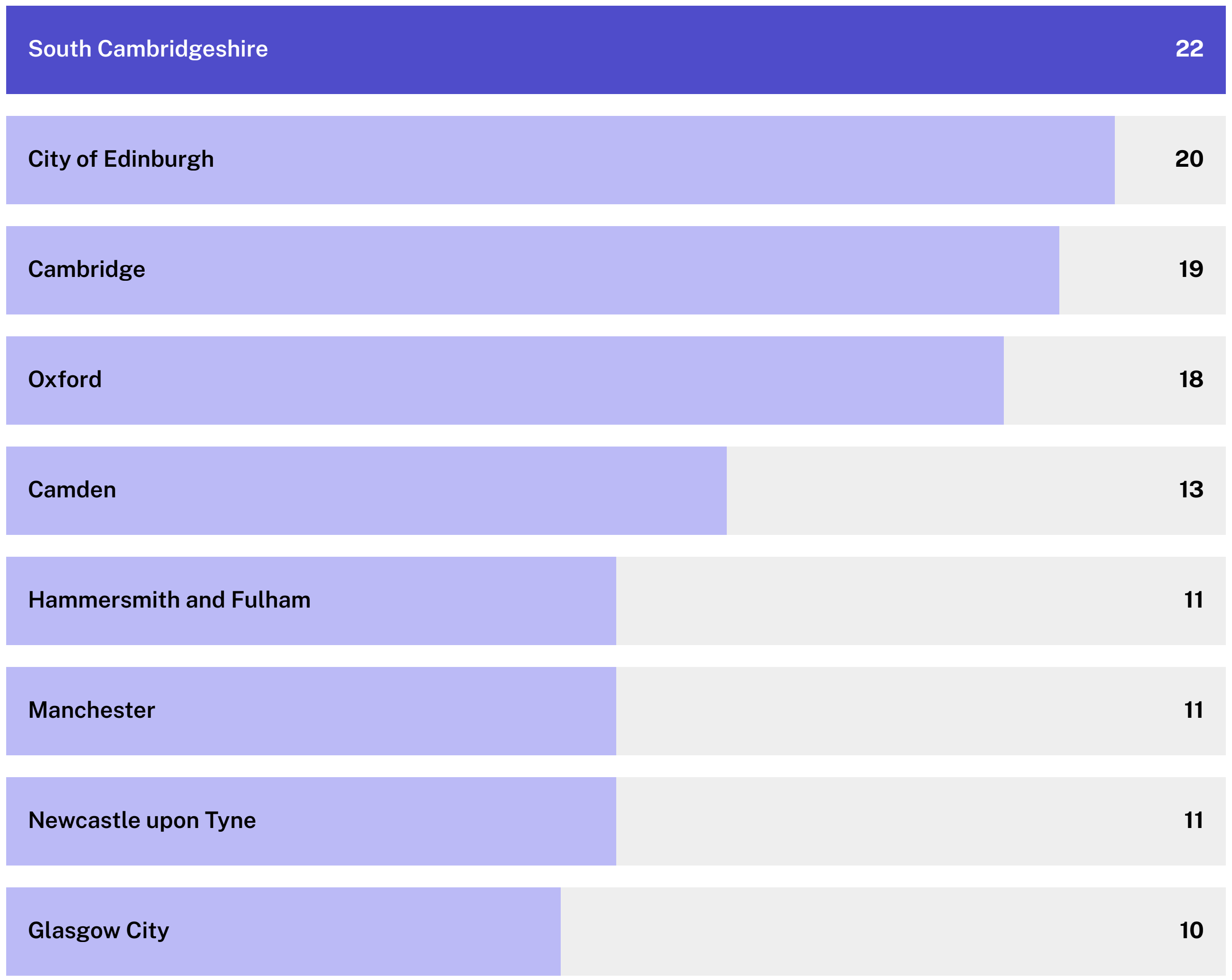
The largest raise in South Cambridgeshire was secured by University of Cambridge biotechnology spinout bit.bio, which raised £37.4m in December 2025 to support international expansion and further R&D. Growth-stage rounds of this scale reinforce Cambridge's position as a leading deeptech ecosystem.

Outside the South East, Edinburgh ranked second with 20 deals, while Glasgow City recorded 10, underscoring Scotland's strong university-linked innovation base. Newcastle upon Tyne and Manchester each secured 11 deals. While volumes remain below those of Cambridge and Oxford, the continued presence of northern cities in regional rankings highlights efforts to diversify spinout activity away from established hubs.

09 Deal volume and average value relative to region's three-year average (2023-2025)



10 Top head office locations by number of equity deals into spinouts (2025)



9 Future Cambridge Science Park, "Home," accessed February 18, 2026, https://futurecambridgesciencepark.co.uk.

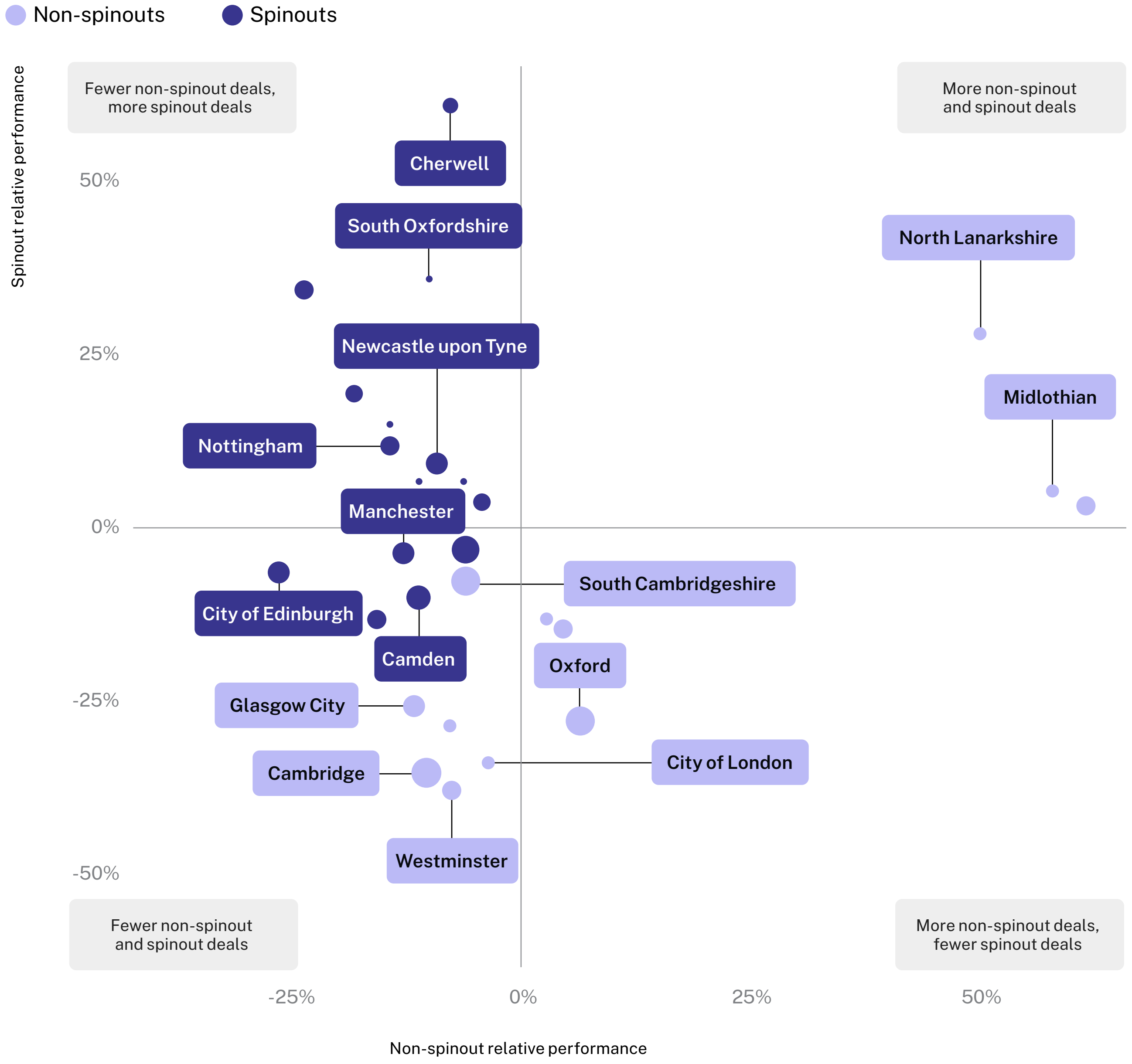
Despite their dominance in deal counts, Cambridge and South Cambridgeshire recorded declines in spinout and non-spinout deals compared with their prior three-year averages, with spinouts underperforming relative to other companies in these innovation hubs. Oxford showed a similar pattern, with contraction more pronounced among spinouts. However, some peripheral local authorities, including Cherwell and South Oxfordshire, demonstrated stronger spinout performance, suggesting activity extending beyond city centres.

In Edinburgh, Manchester, Newcastle upon Tyne and Nottingham, spinouts outperformed non-spinouts relative to their three-year averages. Although Manchester and Edinburgh saw modest declines in deal numbers, spinouts held up better than the broader company base. Glasgow City, which recorded 10 deals in 2025, also contributed to Scotland's relatively strong showing.

However, the picture remains uneven. In parts of Scotland, both spinouts and non-spinouts exceeded prior averages, signalling broader ecosystem strength, while several London boroughs underperformed. In mature ecosystems, deeper capital networks may narrow spinouts' relative advantage, whereas in emerging ecosystems spinouts can form a larger share of activity, amplifying relative performance when investment moderates. These patterns suggest that while deal volumes remain concentrated in Cambridge, Oxford and London, three-year momentum is increasingly diffuse, with cities like Edinburgh, Newcastle and Manchester emerging as more resilient spinout ecosystems than headline deal counts alone might imply.

11 Number of spinout and non-spinout equity investments relative to local authority's three-year average (2025-2023)

Type of equity investment with stronger relative performance in 2025:



Methodology

Beauhurst records all UK academic spinouts. Spinning out from an academic institution is one of eight growth and innovation signals that we believe suggest a company has high-growth potential. More detail on Beauhurst's signals is available via our website.

Growth and innovation signals:

- Equity investment
- Scale-ups
- Accelerator attendance
- MBOs/MBIs
- Academic spinouts
- High-growth lists
- Major grant recipients
- Venture debt

What is an academic spinout?

We define an academic spinout as a company that meets condition 1 and at least one condition out of 2-4:

1. The UK-based company was set up to exploit intellectual property developed by a recognised UK or overseas university or research institution (This is broadly in line with the Higher Education Statistics Agency's (HESA) definition of a spin-off).

2. The institution owns IP that it has licensed to the company.

3. The institution owns shares in the company.

4. The institution has the right (via an options or warrants contract) to purchase shares in the company at a later date.

If 1-4 are all false, the company may still be a staff or student startup. These are companies set up by students, recent graduates or staff. Neither HESA nor Beauhurst considers staff and student startups to be spinouts.

This definition follows Beauhurst's published FAQ methodology for identifying academic spinouts, which incorporates data aligned with HESA alongside additional proprietary research, including tip offs from universities regarding newly formed spinouts.

Equity investment

To be included in our analysis, any investment must be:

- Secured by an academic spinout (as defined by Beauhurst)
- Some form of equity investment
- Issued between 1 January 2016 and 31st December 2025

Grant funding

To be included in our analysis, any grant funding must be:

- Secured by an academic spinout (as defined by Beauhurst)
- Awarded between 1 January 2016 and 31st December 2025
- Issued by Innovate UK

Industries

Companies are assigned one or more industries based on the sectors they operate in or heavily target. A company's industry/industries indicates that it operates in a particular area, but does not imply that this is its sole activity.

Since companies can be assigned more than one industry, there may be overlaps between industries, and companies with multiple industries will be counted more than one time for industry analysis.

Data

This report data is up to date as of the 16th February 2026.

Penningtons Manches Cooper's dedicated technology transfer and spinouts practice advises founders, universities and investors across the full company lifecycle - from formation, IP strategy and licensing to seed and later stage venture rounds, strategic collaborations and exits. Our full service offering supports spinouts with all their legal needs including specialist tax advice, disputes (including patent litigation), employment, immigration and real estate.

A long-standing involvement with the world of technology transfer gives us a deep understanding of what is needed for successful ventures.

As a full service law firm with over 400 specialist lawyers, Penningtons Manches Cooper is ranked amongst the leading firms in the UK and internationally. Our success is based on a client-first approach focused on real-world outcomes. We operate from major UK hubs including London, Birmingham, Oxford and Cambridge, and our international footprint includes offices in Madrid, Paris and Singapore.

9400 Garsington Road
Oxford Business Park
Oxford
Oxfordshire
OX4 2HN
United Kingdom

rich.morley@penningtonslaw.com
www.penningtonslaw.com
+44 (0)20 7457 3185

Contributors

Editor	Henry Whorwood
Production	Freya Morten
	Ruth Rimmer
Design	Hannah Nicholls
	Evangeline Luckhurst

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henry.whorwood@beauhurst.com
www.beauhurst.com

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Cubo Nottingham
Fenchurch House
12 King Street,
Nottingham
NG1 2AS

4th Floor, Brixton House
385 Coldharbour Lane
London
SW9 8GL

www.beauhurst.com
+44 (0)20 7062 0060

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BeauhurstInsights