The Deal 2026

Review of 2025 Equity Deals

mercia Ventures

Beauhurst Insights

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Foreword

“This year’s data suggests that the UK equity market is not retreating so much as refining its focus, and that founders remain firmly at the centre of that recalibration.”

Will Clark
Managing Director
Mercia Ventures

Periods of market adjustment are often described in terms of what is lost: fewer deals, slower momentum and weaker sentiment. Based on the data compiled in this report, it would be easy to say that UK founders and investors were increasingly cautious in 2025. Yet the more instructive question for us all is not how much activity has fallen away, but what kind of activity endures. This year’s data suggests that the UK equity market is not retreating so much as refining its focus, and that founders remain firmly at the centre of that recalibration.

As a national investor championing the ambition of founders across the UK, the shift suggests a sharpening of focus: a clearer emphasis on strong fundamentals, truly differentiated technology and backing those teams with the resilience to build through the noise.

While the overall number of deals eased again in 2025, the amount of capital being deployed did not. Total equity investment rose modestly year on year, and average deal sizes continued to increase, passing £4m for the first time since 2021. Fewer businesses received follow-on capital in 2025, but those that did secured it with markedly higher investor conviction. That distinction matters. It signals confidence not only in the market as a whole, but in the quality, ambition, and ingenuity of the founders capable of raising capital in this environment.

Nowhere is this clearer than at the point of entry. After several years of decline, first-time equity investment rebounded sharply in 2025. Nearly 2,500 companies raised their first round, and the amount invested reached a new record, surpassing even the post-pandemic peak.

These are not marginal cheques. First-round deal sizes are materially larger than in previous years, suggesting that new founders are reaching investable scale faster. Moreover, investors are prepared to commit increased support earlier when the opportunity warrants it.

Sectorally and geographically, the same story applies. Artificial Intelligence (AI) is, admittedly, the most obvious example, and the data leaves little room for doubt. AI companies accounted for a record share of both new entrants and capital deployed, underlining how central this wave of innovation has become.

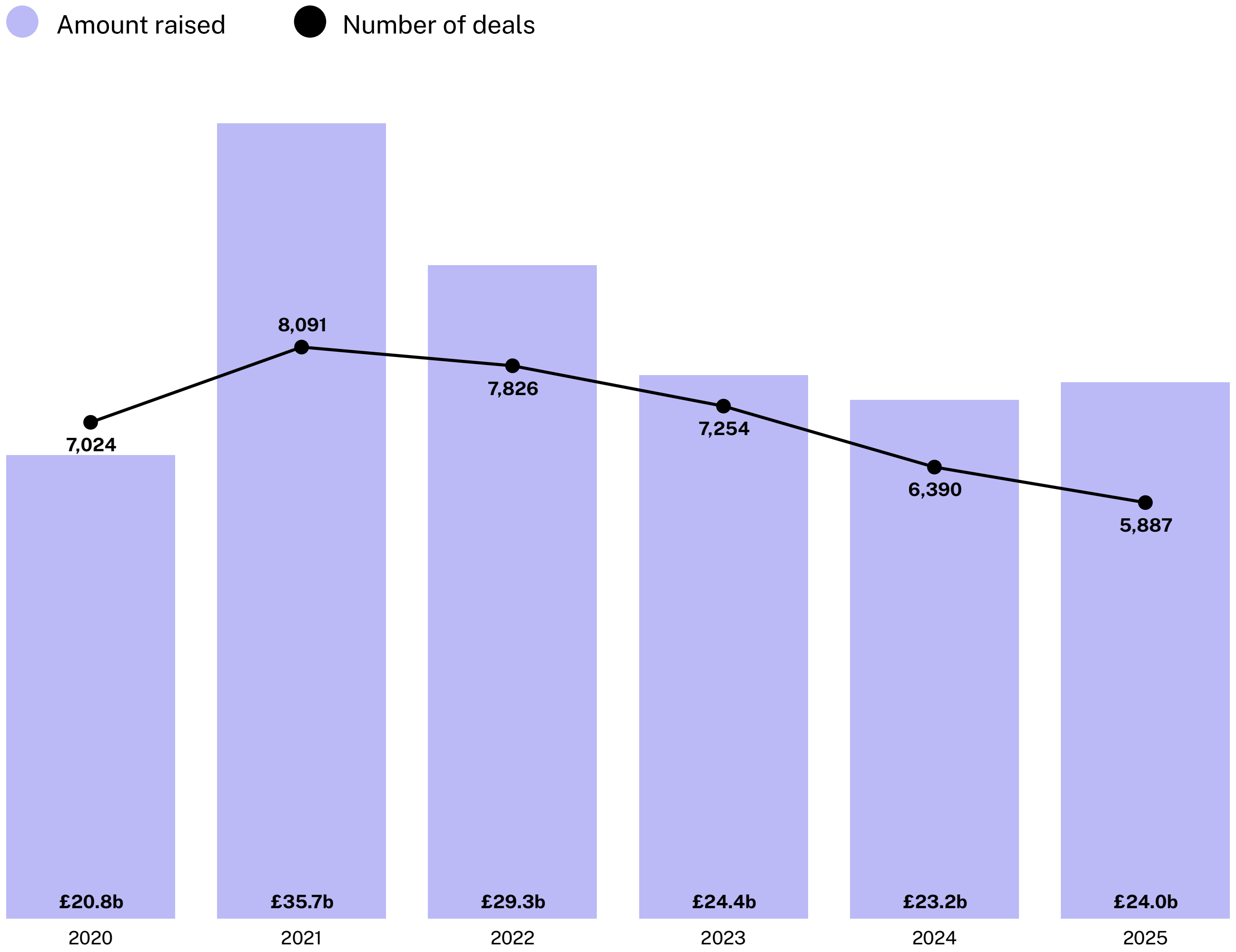
The data suggests an increasingly vibrant regional picture - the growth in first-time deals outside London, particularly in the Midlands and devolved nations, reinforces the growing distribution of entrepreneurial talent across the UK.

For investors and founders alike, this is not a market defined by retreat, but by selection. The founders raising capital today are doing so against a tougher backdrop, and that, in itself, is a signal. We partner with founders who dream big, solve hard problems and make the impossible possible – last year, 5,677 of those UK companies received funding so let’s celebrate those opportunities.

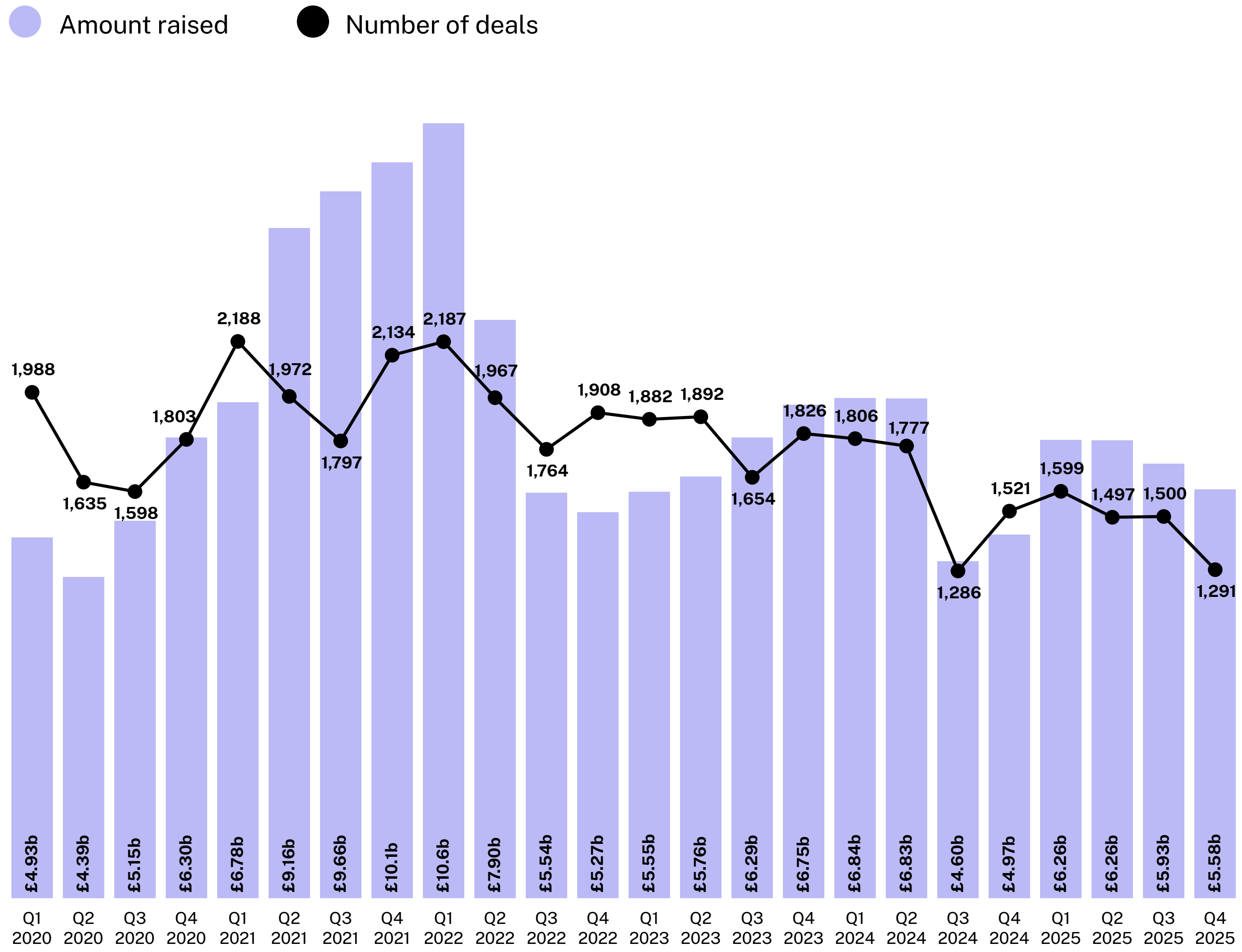
Overview

Number of deals	Total amount raised	Number of first-time deals	Average deal size
2025	2025	2025	2025
5,887	**£24.0b**	**2,489**	**£4.22m**
2024	2024	2024	2024
6,390	£23.2b	2,014	£3.75m
▼ −7.87% from 2024	▲ +3.43% from 2024	▲ +23.6% from 2024	▲ +12.6% from 2024

01 Equity investment into UK companies (2020-2025)



02 Quarterly equity investment into UK companies (2020-2025)



Key findings

Investment

Total value of investment in 2025 remained above pre-pandemic levels, with funding strongest in the first quarter by both deal volume and value.

Number of deals

The total number of deals has continued to ease, down 7.87% from 2024.

Seed deals

In 2025, the average seed stage deal size remained above £1.0m, a level not reached in any year between 2020 and 2023.

Industries

Of the 100 industries with the most deals in 2025, half recorded fewer deals than their three-year average (2023-2025), despite seeing a higher average investment value.

Average deal size

The average equity raised in 2025 has continued to increase since 2023 and exceeded £4.0m for the first time since 2021.

First-time deals

The number of first-time deals in 2025 has increased by 23.6% year on year. The amount raised has also reached a record high since 2020, up 74.3% to £6.27b.

Artificial intelligence

The amount raised by AI companies increased by 62.6% from 2024, reaching a record high of £7.70b in 2025, accounting for 32.0% of the overall amount raised.

Regions

Despite a decline in the number of raises for the UK, Northern Ireland saw the biggest regional growth with a 13.2% increase in deal numbers, followed by Yorkshire and The Humber.

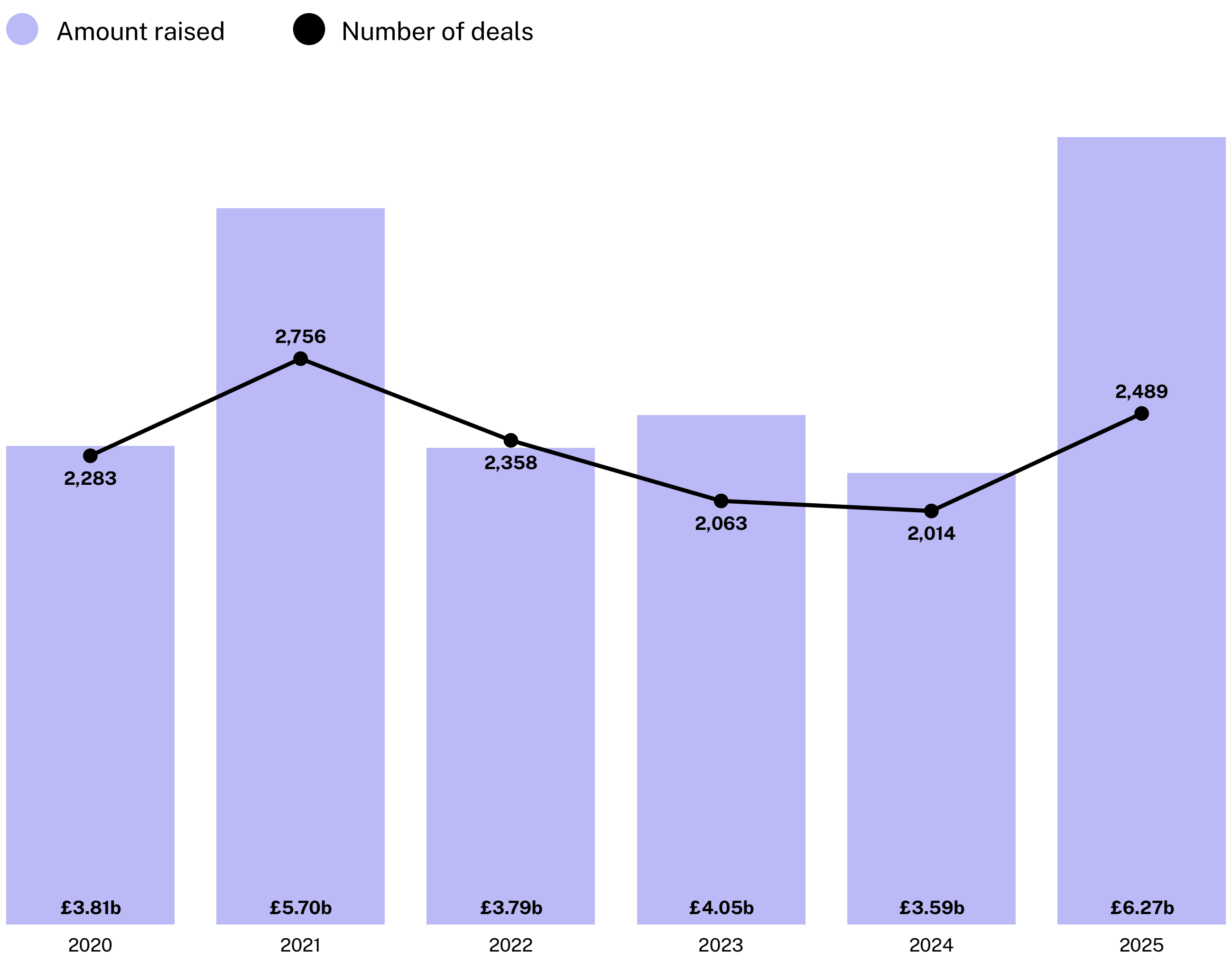
First-time deals

First-time equity investment into UK companies rose sharply in 2025, with 2,489 companies securing their first deal, up 23.6% from 2024. The rise in first-time deals suggests a pipeline of new companies entering the equity market. The urgency of investing in new sectors drives part of this growth.

Notably, the total amount invested reached £6.27b, an increase of 74.3% year on year. This surpasses the previous peak of £5.70b in 2021 and runs counter to the broader market cooling since the post-pandemic period. This increase was not driven solely by a higher number of deals, as average first-round sizes also rose, reaching £2.62m in 2025, the highest level since 2020.

Together, these trends suggest a strengthening of early-stage equity markets, characterised by both higher entry volumes and greater capital intensity at first funding.

03 First-time equity investment into UK companies (2020-2025)



Number of deals by stage of evolution

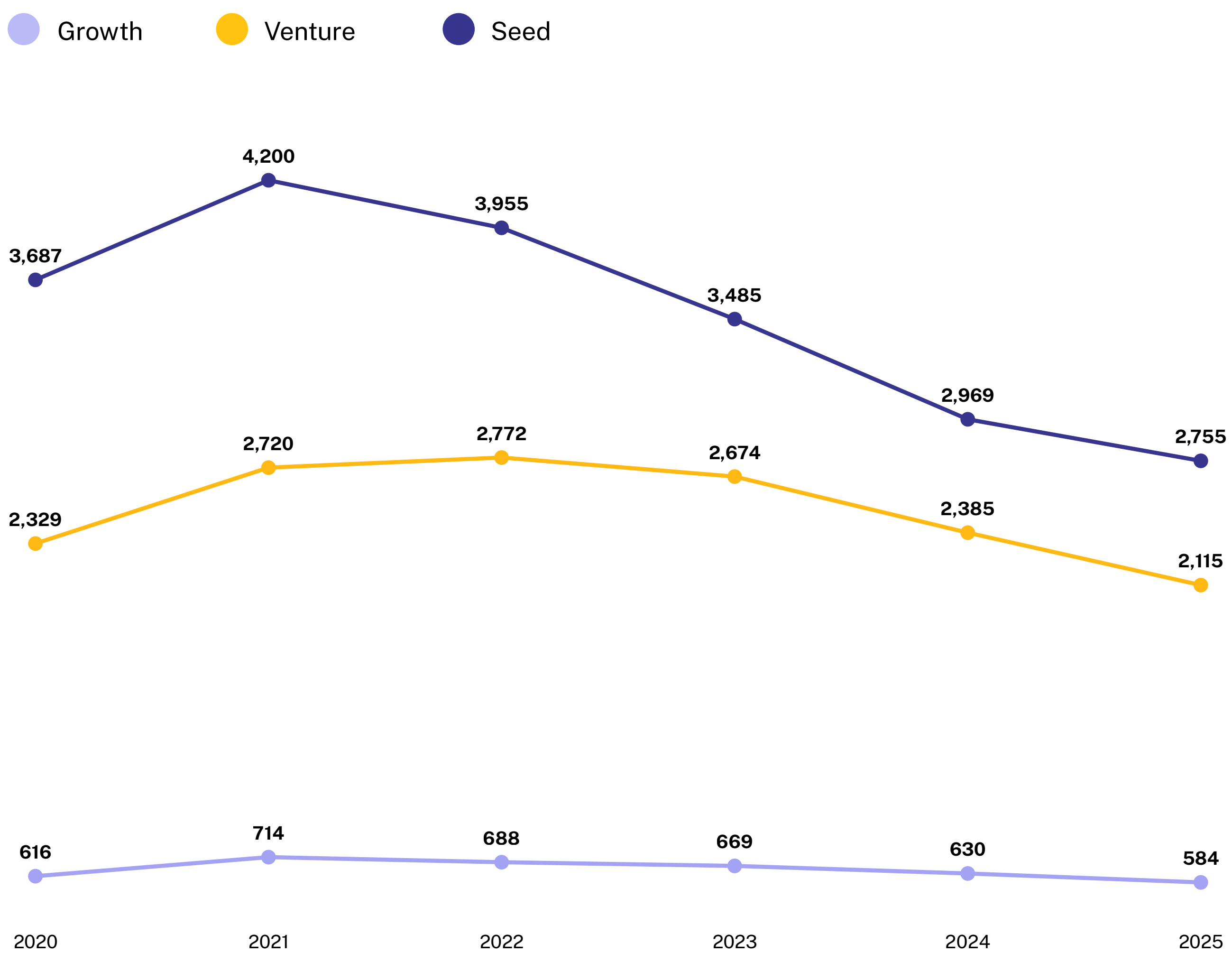
Seed stage companies continue to account for the largest share of deal activity, despite a 7.21% decline from last year. While average deal sizes at this stage have also decreased by 4.69%, it remained above £1.0m, exceeding levels recorded in every year between 2020 and 2023.

These findings indicate selectivity is increasingly being exercised at the earliest stage, where fewer companies are backed but with larger cheques. In contrast, venture stage activity experienced the sharpest contraction across all stages, with deal volumes falling by 11.4%. This front-loading of capital has coincided with a sharper pullback at the venture stage, tightening the progression through the funding pipeline.

Deal activity at the growth stage declined at a similar pace to seed, down 7.3%, contrasting with the sharper pullback at the venture stage.

The more moderate decline at the growth stage suggests that capital access for more mature companies has remained comparatively stable. This suggests that capital has remained accessible for more established companies, albeit with reduced momentum as investor caution persists.

04 Number of deals into UK companies by stage of evolution (2020-2025)



Valuation by stage of evolution

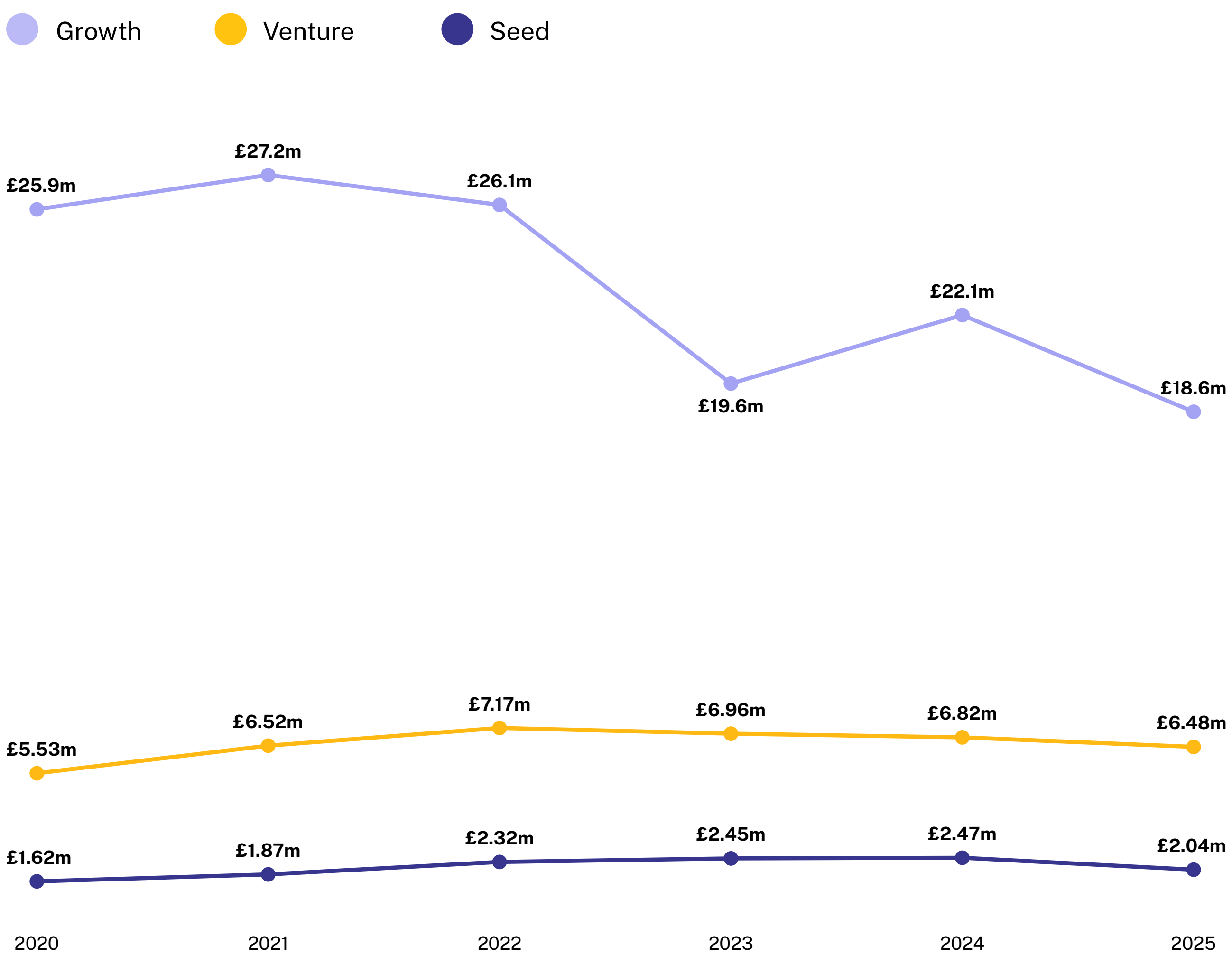
Median seed valuations fell to £2.04m, down 17% year on year from a 2024 peak of £2.47m. This marks a departure from the steady valuation inflation seen between 2020 and 2024. However, valuations remain materially above pre-pandemic levels, compared with £1.62m in 2020, pointing to a recalibration rather than a retrenchment.

As investors allocate more capital to fewer early-stage companies, lower pre-money valuations help secure greater ownership stakes and manage risk. The result is a seed market that remains active, but one increasingly shaped by higher conviction and more disciplined entry pricing. This reinforces the capital front-loading observed at the point of first investment.

Venture stage valuations softened more modestly, declining by 4.99% from £6.82m in 2024 to £6.48m in 2025. This indicates relative pricing resilience despite a sharper contraction in venture-stage deal volumes over the same period.

A similar repricing is evident at the growth stage, where pre-money valuations have continued to trend lower since 2021, reinforcing the broader shift towards valuation discipline across the funding pipeline.

05 Median pre-money valuation by stage of evolution (2020-2025)



> “Ultimately, it’s about conviction. We’re building for the long run - a company that can be around for decades - and having an investor who shares the vision and has unshakable belief it can be done matters most.”

Seb Fallert
Co-Founder and CEO
Ben

Industries

In 2025, 79 of the top 100 industries by deal count recorded fewer transactions than their average over the previous three years. Yet this contraction in volume did not translate into weaker capital deployment.

Among these industries, 50 saw higher average deal values than their three-year averages. This trend is observed across a wide range of industries, including clean tech, fintech, mobile applications, and online retail.

This reinforces the view that investors are becoming more selective rather than less active, with fewer but larger investments.

Despite a tougher funding environment, a smaller group of 15 industries stood out, outperforming their three-year averages on both deal volume and average deal value. These industries include AI, robotics, cloud computing, and tech consulting. In 2025, the proportion of funding to In 2025, AI deals constituted 19.5% of all deals and 32% of all deal value

By contrast, 29 sectors experienced a slowdown in both the volume and value of investment. Within this group, life sciences industries, including pharmaceuticals, clinical diagnostics, medical devices and reagents, saw a sustained decline in funding activity, with fewer deals completed and at lower values than in recent years.

06 Deal volume and average value relative to industry's three-year average (2023-2025)[1]

Cloud Computing

Number of deals: **189**

Amount raised: **£2.05b**

Robots & Automation

Number of deals: **388**

Amount raised: **£2.97b**

Tech Consulting

Number of deals: **281**

Amount raised: **£3.51b**

Manufacturing

Number of deals: **476**

Amount raised: **£3.98b**

AI

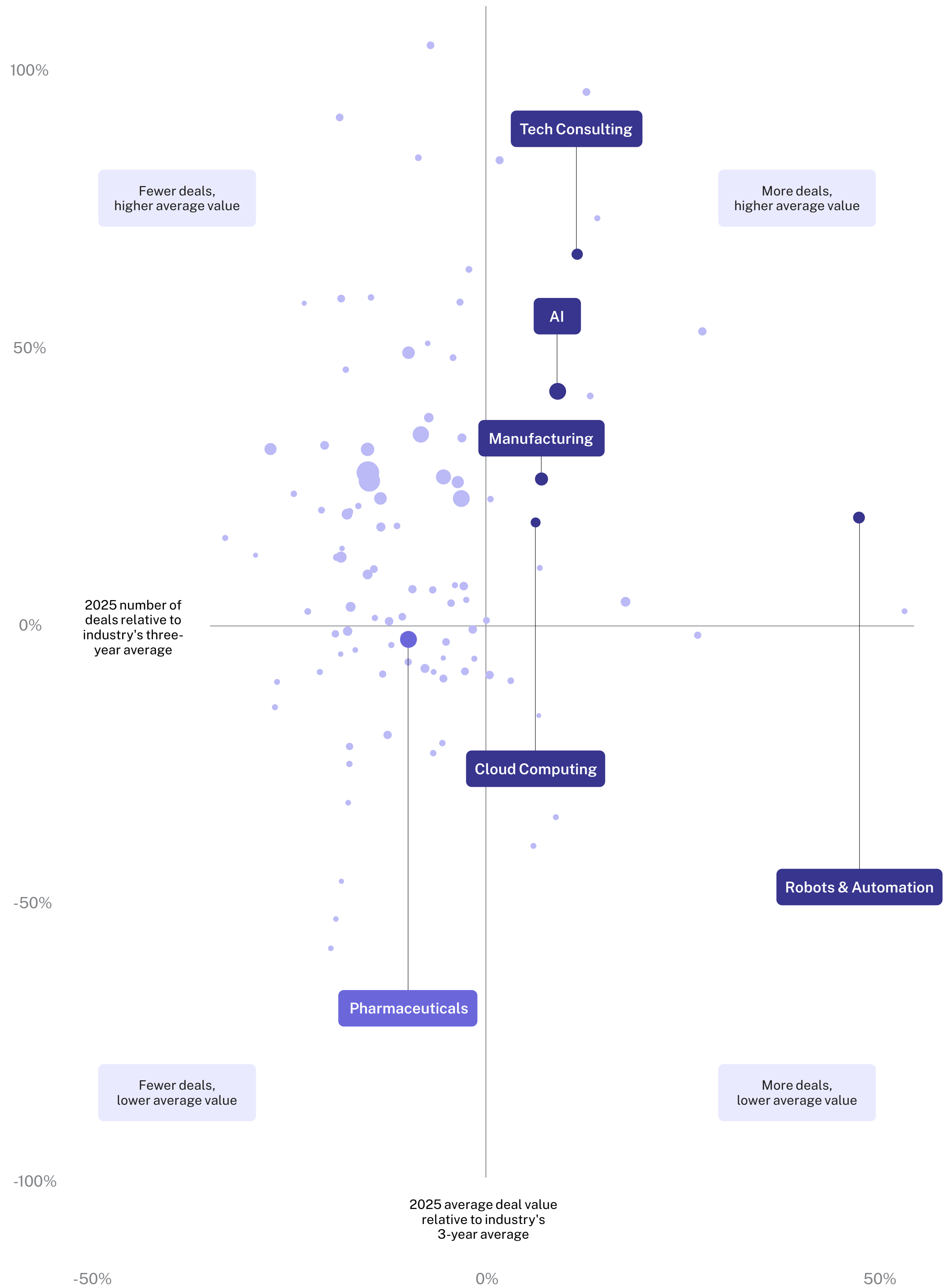
Number of deals: **1151**

Amount raised: **£7.72b**

Pharmaceuticals

Number of deals: **264**

Amount raised: **£2.26b**



[1] Relative figures are calculated as the industry's 2025 amount divided by the average of that industry's 2023, 2024, and 2025 amounts, and displayed as a percentage. Bubble size corresponds to industry size by number of total deals.

Regions

In line with the broader national landscape, London saw a 9.33% decline in equity deals but a 4.20% increase in the amount of investment. As expected, the capital dominated in absolute terms, with London-based companies securing 2,944 deals totalling £14.9b, representing 50.0% of UK deals and 62.1% of the UK's total investment amount. This is more than four times the number of deals for the second-placed South East (667).

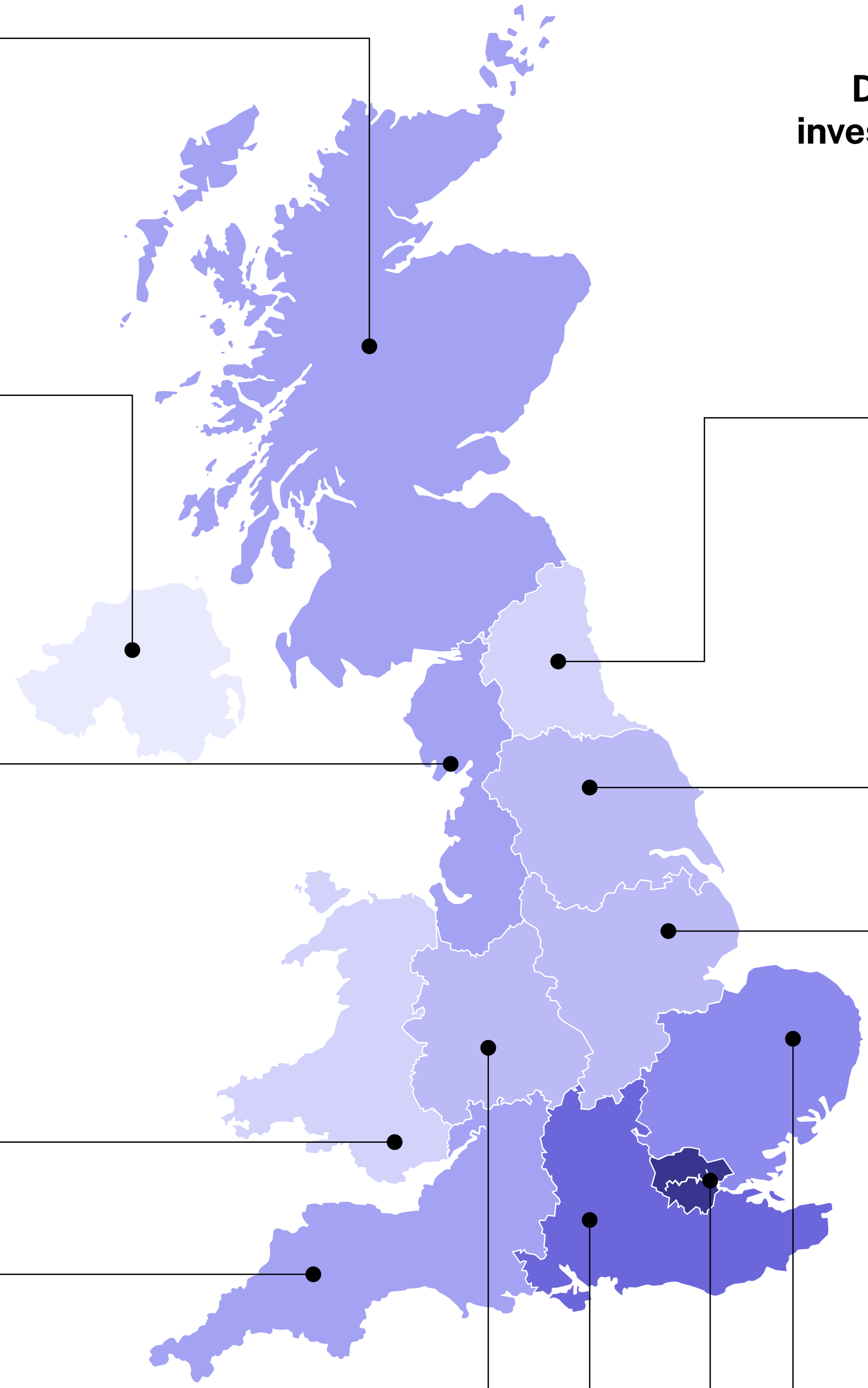
The West Midlands defied the national decline, with overall deal volumes rising by 3.37%. Growth was driven by the highest increase in first-time deals across all regions, which nearly doubled, rising by 97.9% year on year. At the same time, average deal sizes in the region fell by 22.2%, the third largest decline among UK regions.

This pattern suggests an influx of younger companies securing smaller, early-stage rounds, consistent with typical funding dynamics at this stage of development.

Looking at the devolved nations, Northern Ireland saw the highest increase in number of deals (13.2%) across all regions, as well as a 68.2% increase in first-time deals. While Scotland's increase in total deals is more moderate (0.86%), total equity invested into this region has reached £1.11b in 2025, up 31.5% year on year.

By contrast, Wales experienced the sharpest contraction across the devolved nations, with the number of deals falling by 26.0%, alongside declines in total amount invested and average deal sizes.

07
Deal numbers and equity investment by region (2025)



	Number of deals		Investment total	
Scotland	352	▲+0.86%	£1.11b	▲+31.5%
Northern Ireland	77	▲+13.2%	£123m	▼-31.1%
North West	327	▼-13.7%	£1.63b	▲+3.03%
Wales	117	▼-26.0%	£219m	▼-10.7%
South West	335	▼-14.3%	£1.08b	▲+45.7%
West Midlands	184	▲+3.37%	£503m	▼-23.5%
South East	667	▼-4.03%	£2.25b	▲+29.9%
London	2944	▼-9.33%	£14.9b	▲+4.20%
East of England	418	▼-5.22%	£1.56b	▼-23.8%
East Midlands	142	▼-17.4%	£107m	▼-40.0%
Yorkshire & The Humber	195	▲+10.2%	£272m	▼-35.5%
North East	108	▼-10.7%	£131m	▼-42.4%

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Mercia Ventures Portfolio Spotlight

Click on the logo to view company profile

Sitehop

Sitehop is a Sheffield-based digital security company which has developed hardware-based encryption and decryption technologies for data in motion. Its SAFE Series encryption system aims to offer a faster, more energy-efficient alternative to existing software-based encryption solutions.

In September 2025, it raised £7.50m to expand internationally and continue developing its in house testing platform. Sitehop also received investment from Mercia as part of its first funding round in 2022.

Deal size	£7.50m
Deal date	17th September 2025
Location	Sheffield
Stage	Venture

Medherant

Medherant is developing transdermal drug delivery systems that administer medicines through the skin, as an alternative to oral tablets or injectable treatments. The company's technology is focused on applications in women's health, pain management and disorders of the central nervous system.

Founded in 2014 as a University of Warwick spinout, Medherant has raised £17.0m across 10 equity funding rounds, including a £3.09m raise completed in January 2025. The company is currently in clinical development. In October 2025, it reported positive results from an initial early-stage clinical trial evaluating a hormone therapy for the treatment of menopausal symptoms.

Deal size	£3.09m
Deal date	24th January 2025
Location	Coventry
Stage	Venture

Warwick Acoustics

Warwick Acoustics is an advanced audio technology company developing ultra-thin electrostatic speakers and headphones for consumer electronics and automotive applications. The company's products are manufactured using a combination of upcycled and recycled materials, reflecting a focus on lightweight design and material efficiency.

In May 2025, Warwick Acoustics secured £6.20m in equity investment from Mercia Ventures, alongside SyndicateRoom. The funding was raised to both provide additional working capital and to support the fit-out of a new assembly and R&D facility.

Deal size	£6.20m
Deal date	6th May 2025
Location	Nuneaton, Warwickshire
Stage	Established

Risk Ledger

London-based Risk Ledger has developed digital security software designed to mitigate supply chain risks. Its platform allows users to visualise entire supplier networks that extend beyond third parties, uncovering previously invisible risks.

The company's clients span public and private sector organisations, and include the NHS, ScotRail and United Utilities. It recently ranked 30th in the Deloitte UK Technology Fast 50 list for 2025.

Location	London
Stage	Growth

Pure Pet Food

Based in Yorkshire, Pure Pet Food manufactures and sells personalised dog food through a direct-to-consumer subscription model. The company focuses on natural ingredients and nutritionally tailored feeding plans. Since its incorporation in 2012, it has delivered over 85m meals and attracted over 40k subscribers.

In September 2024, Pure Pet Food raised £15.0m of equity funding in a round led by Mercia's Northern VCTs and Felix Capital. This funding helps support its international expansion, increased distribution and product development. The company previously raised £1.50m from two Mercia Ventures managed funds in 2022.

Deal size	£15.0m
Deal date	12th September 2024
Location	Kirklees, West Yorkshire
Stage	Growth

Alesi Surgical

Alesi Surgical is a Cardiff-based medical technology company developing devices designed to eliminate surgical smoke produced during the cutting of soft tissue in open operations. The company was spun out of Cardiff University in 2010 and has since advanced its technology through regulatory approvals, including from the US Food and Drug Administration, enabling its use in the US market.

Alesi has raised £27.0m across 11 equity funding rounds since incorporation. Its most recent £1.75m raise in January 2025 was a follow-on investment from Mercia Ventures, following a £5m round completed in June 2024. The latest funding is intended to support sales growth in the US and to advance regulatory approval processes in Europe and Japan.

Deal size	£1.75m
Deal date	13th January 2025
Location	Cardiff
Stage	Established

Tozaro

Tozaro designs and develops synthetic affinity reagents for the purification and processing of viral vectors used in cell and gene therapies. This Bedford-based company participates in collaborative research initiatives to reduce costs and improve the scalability of viral vector production. In September 2025, it secured part of a £154k UK–Canada research and development funding consortium.

Founded in 2015, Tozaro has raised £16.9m across eight equity funding rounds. Its most recent £7.10m raise, completed in February 2024, was led by Mercia Ventures' EIS fund alongside Northern VCTs. The funding is intended to support further commercialisation of its technology and the recruitment of additional in-house cell and gene therapy specialists.

Deal size	£7.10m
Deal date	20th February 2024
Location	Bedford
Stage	Growth

> "We're grateful for the trust placed in us — and excited about the potential and the impact we can have on the world."

James Stephenson
CEO
Promethean Particles

> "When times are tough, you need backers who let you steer the ship — and apply pressure in the good times, not the bad. That inversion has been invaluable."

Ross Frenet
Co-Founder and CEO
Moonshot

Methodology

Data for the report was collected by Beauhurst and finalised on 26 January 2026. The report examines all equity investments received by UK-headquartered companies across all industries.

Equity rounds are found by monitoring thousands of investment sources. Beauhurst also maintains relationships with hundreds of investors to receive information about their portfolio companies. In this context, equity investment refers to a company issuing and selling new shares to fund its growth.

The following types of companies are not covered in this report:

- Non-UK companies
- 'Project companies', like those formed to create a film, stage a play, or undertake a property project.

The average amount raised is calculated only from deals where the investment amount is available.

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