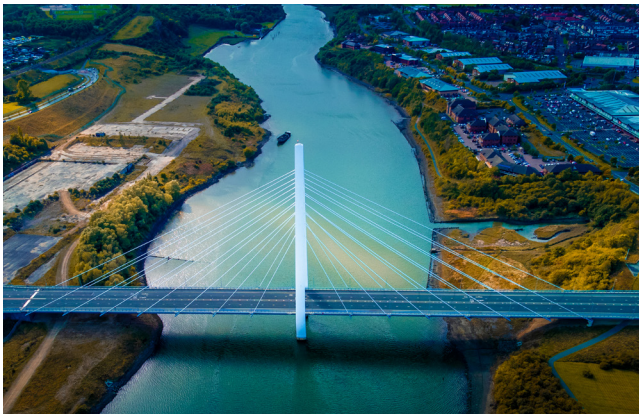




Private Capital in the North East

2026



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Foreword from UK Private Capital

The North East's growth story is built on turning strong ideas into strong companies. Investment and university spinouts are two of the clearest signals of the region's potential.

In 2025, private capital had a strong year in the North East, highlighting the wealth and diversity of a region filled with exciting businesses and opportunities for growth and investment. At the same time, a stronger spinout pipeline is emerging from world leading universities like Newcastle and Durham, creating more opportunities to back innovative companies from the earliest stages.

That combination matters because it connects new ideas with long-term backing. When capital meets ambition, businesses can invest in people, productivity and export growth. The evidence in this report shows private capital is already helping to turn the North East's strengths in sectors such as information and communication, manufacturing and professional services into firms that can scale.

This support is already showing up in the real economy. Private capital-backed companies are creating jobs and investing for the long term across the North East. Today, the industry backs 285 businesses and supports 69,000 jobs, contributing £4.15bn of GDP annually. Those headline figures sit behind thousands of day-to-day decisions in firms right across the economy.

There is still more we can do to unlock private capital's full potential in the North East. Policymakers, regulators and industry all have a role to play. We need to make sure that the policy and regulatory environment helps firms make the jump from start-up to scale-up, widens access to skills and talent, and ensures infrastructure supports growth in every part of the region and across our United Kingdom.



Michael Moore
Chief Executive, UK Private Capital



Foreword from Gallagher



Gallagher

As the North East's economic transformation continues, Gallagher, one of the leading insurance and benefits advisors globally, is proud to partner with UK Private Capital's *Private Capital in the North East 2026* and its regionally focused Invest Forum.

By bringing together business leaders, investors, entrepreneurs, and policymakers, this report and forum provide a fantastic platform to explore how private capital can drive opportunity across the North East in collaboration with those set to shape the economic future of the region.

For Gallagher, this partnership approach mirrors our own focus on empowering enterprise and enabling business resilience through the provision of trusted advice and tailored solutions in insurance, benefits, and risk management.

As this report shows, private capital already plays a significant role in the region, supporting 285 companies, helping to create 69,000 jobs and contributing more than £4bn of GDP each year – with offshore energy and clean tech sector proving particularly attractive to investors.

However, there remains untapped potential for businesses across the North East to leverage private capital for growth and innovation.

With its designation as an AI Growth Zone, rapidly developing creative industries, specialisms in advanced manufacturing and automotive, and centres of excellence for life sciences, there is undoubtedly huge potential for investment across multiple sectors.

To deliver sustainable growth, we need to build long-term confidence, collaboration and capability across all key industries. Gallagher's partnership with UK Private Capital embodies that vision, combining financial insight with our deep understanding of local markets and the unique challenges faced by businesses in the region.

By uniting private investors, public sector stakeholders, and professional advisors, we can unlock new pathways for innovation, nurture local talent, and ensure the North East thrives as a hub for investment, growth and opportunity.



Alistair Lester
CEO of the Private
Equity and M&A
Practice, Gallagher



Dan O'Connell
M&A Practice Lead,
North, Gallagher



How private capital supports business growth

Private capital supports growth by combining long-term funding with active ownership.

Businesses backed by the industry can benefit from stronger governance, clearer strategic planning and access to specialist networks, helping management teams make faster and better-informed decisions. This support can include professionalising finance functions, improving management information, investing in digital tools and strengthening boards with relevant sector and scaling expertise. For founder-led and family-owned firms, private capital can also help with succession planning and leadership development, so the business is set up to grow sustainably over the long term.

These interventions matter because they translate into measurable outcomes. Private capital-backed businesses in the North East are also 1.3x more likely to deliver annual revenue growth above 10%¹.

This increased likelihood of growing quickly is supported by a higher propensity of private capital backed firms to engage in export activity. Companies backed by the VC industry in the region are also 1.6x more likely to be strongly internationalised² than those not backed by VCs, which could indicate earlier access to export markets and the investor networks that can help businesses expand overseas.

Private capital-backed businesses
in the North East are

1.3x more likely

to deliver annual revenue
growth above 10%¹



¹ Analysis of Beauhurst data by Henham Strategy for UK Private Capital. The majority of firms captured were VC investments, but there may be a small percentage of PE.

² Analysis of Beauhurst data by Henham Strategy for UK Private Capital. Strongly internationalised refers to companies with an exports-to-turnover ratio greater than or equal to 25%. The majority of firms captured were VC investments, but there may be a small percentage of PE.



Employment

Supporting jobs across the UK's nations and regions is a key part of what private capital does.

As of 2025, data shows the real impact of private capital investment with over **69,000 jobs** supported by the industry in the North East. With more businesses being backed by the industry, the number of jobs increased by approximately **27.9%** when compared with the last data set from 2023. This can be broken down into:

Private equity

supports around

62,000 jobs

in the North East



Venture capital

supports around

7,000 jobs

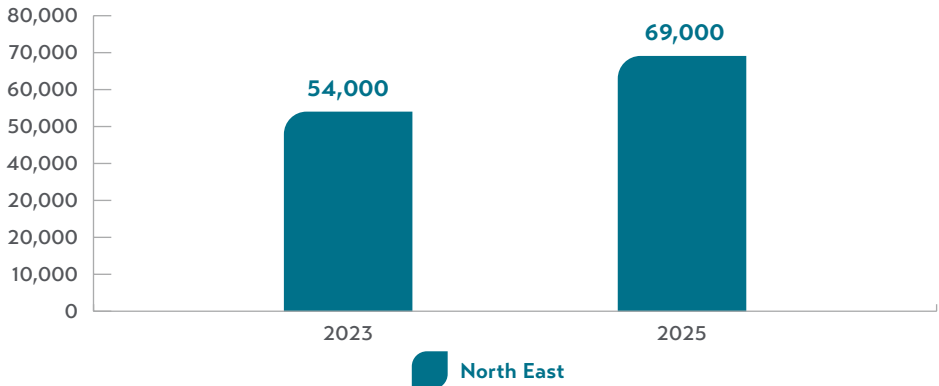
in the North East



Employment cont.

Employment

(Figures are rounded)



Private capital's backing of businesses in the wholesale and retail sector is a specific standout. In total, **over 13,100 jobs** were supported by private equity and venture capital across this sector, highlighting the role that private equity and venture capital play in the regional economy.

Employment by sector:

- Wholesale and retail:
13,100 jobs
- Professional, scientific and technical activities:
7,200 jobs
- Health and social work:
6,600 jobs
- Accommodation and food service:
5,800 jobs
- Manufacturing:
5,200 jobs



Investment and economic contribution

Private capital is a major contributor, both directly and indirectly to the economy.

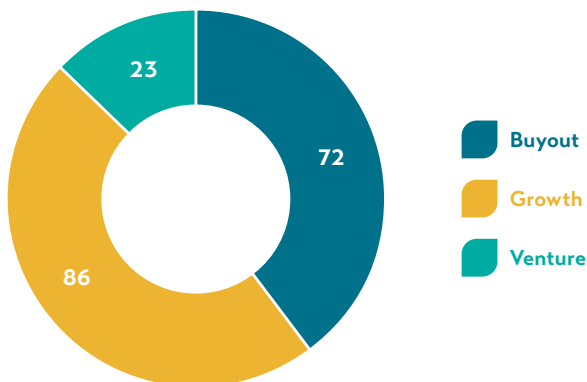
The industry makes long term investments directly into local businesses. Private capital employs an active ownership model, which is a hands-on approach that helps drive value creation in portfolio companies through strategic and operational improvements, whilst supporting wider economic development.

In 2025, total investment into the region reached £180 million, comprising £72 million in buyout investment into established and mature companies. Venture capital investment totalled £23 million, reflecting early-stage funding for innovative businesses seeking to enter the market. A further £86 million was invested into growth capital, supporting early- and mid-stage companies looking to scale their operations.

The £180 million invested in 2025 is an increase in the total of investment in 2024, when £159m was invested into the North East. However, over the past five years, private capital has cumulatively invested £2.6 billion into the region's businesses.

The prominence of growth investment points to a maturing regional business base, with more North East companies now reaching the stage where they can absorb larger amounts of capital to scale, expand internationally and create long-term economic value.

North East Investment by Stage (£m)



Investment and economic contribution cont.

Businesses backed by private capital make a significant contribution to the region's economy. In 2025, **£4.2bn** of **Gross Domestic Product (GDP)** was generated by private capital backed businesses in the North East. Some key sectors are:

Economic contribution by sector (GDP £)

Information and communication:

£620m



Wholesale and retail:

£570m



Manufacturing:

£520m



Professional, scientific and technical activities:

£410m



Finance and insurance:

£370m



Businesses

Backing local business is the bedrock of what private capital does.

It's easy to see why the North East is a great place to grow a business. The area already benefits from a strong information and communications sector, alongside an established presence of wholesale and retail businesses. Thus, the regions ecosystem and investment landscape is continually seeing significant development.

As of 2025, data shows how many businesses are backed by private capital, with **285 companies** being supported across the region. This can be broken down into:

Private equity
backs

111 businesses

which is a +18% change
from 2023



Venture capital
backs

174 businesses

which is a +9% change
from 2023

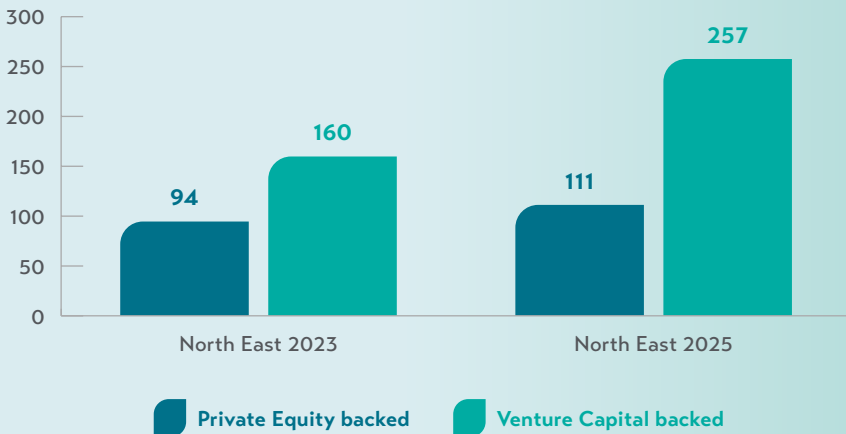


Businesses cont.

Private capital is already supporting a significant number of businesses across the North East, demonstrating its ability to create jobs, back innovation and drive growth. Devolution has raised expectations in the North East, but stakeholders still point to a gap between ambition and delivery.

At the same time, significant pools of regional capital continue to be invested elsewhere because there are too few suitable local vehicles. Closing that gap will require a better understanding across parts of the public sector of how private capital can support jobs, skills and long-term growth.

Companies backed by private capital



Sector deep dive

Renewables and clean technology and why it matters for private capital

The North East's next phase of economic growth can be shaped by attracting greater levels of private capital into renewables and clean technology. The region already has a strong clean energy base, from offshore wind and offshore engineering to battery recycling, hydrogen production and AI-driven optimisation, but scaling that base further will require long-term capital that can back businesses through development, commercialisation and expansion. Private capital is well placed to play that role, building on the region's industrial strengths and the innovation infrastructure that has grown around them.

The sector combines a sizeable business base with deep engineering capability, creating conditions that can support scale-up and attractive long-term returns. Around 1,000 renewable energy companies have sites in the North

East, employing an estimated 25,000 staff³, while nearly 57,000 advanced manufacturing engineering workers and a further 110,000 people in the wider manufacturing workforce give the region a strong skills foundation⁴. This is reflected in private capital activity too: as of May 2026, at least 15% of renewable and clean energy firms in the North East had received venture capital backing⁵, creating opportunities across venture, growth and buyout investment.



³ Creating Real Opportunity, *The North East Local Growth Plan, 2025-2035*.

⁴ Invest North East England, *Offshore Renewables*.

⁵ Analysis of Beahurst data by Henham Strategy for UK Private Capital. The majority of firms captured were VC investments, but there may be a small percentage of PE.



Sector deep dive cont.

The region's clean energy cluster further strengthens the investment case. The North East is already home to 9% of the UK's offshore wind businesses⁶, that concentration matters because it brings together supply chains, technical expertise and routes to market in a way that can reduce execution risk for investors. Private capital-backed clean energy firms in the region are also 4.4 times more likely to have a patent than those without backing⁷, and almost two-thirds of backed firms explicitly use private capital for Research and Development purposes⁸. Since 2013, the Offshore Renewable Energy Catapult has assisted 741 R&D projects and engaged with 1,481 SMEs⁹, helping create a stronger pipeline of investable businesses.

Public sector support has helped lay the foundations for further growth, but unlocking the full potential of clean technology in the North East will require more private capital alongside it. Analysis for the Northern Powerhouse Partnership suggests that every £1 of public investment in industrial decarbonisation in the North could leverage at least £4 of private

sector funding. For the North East, where the opportunity spans generation, supply chains, engineering and low-carbon innovation, that points to a clear route for growth if policy, planning and infrastructure can keep pace with business ambition.

As the sector expands, commercial readiness and delivery capacity will remain important considerations. Clean energy businesses need access to skilled labour, sites, grid connections and a planning system that can move at the speed of investment. Getting those conditions right would allow renewables and clean technology to play a larger role in driving productivity, innovation and exports, while reinforcing the North East's position as one of the UK's most credible destinations for long-term clean growth investment.

Renewable and clean energy firms

backed by private capital are

4.4x more likely to have a patent

than those without private capital investment



⁶ Insights North East, Offshore Wind in the North East: Opportunities and Challenges.

⁷ Analysis of Beahurst data by Henham Strategy for UK Private Capital. The majority of firms captured were VC investments, but there may be a small percentage of PE.

⁸ Ibid.

⁹ Catapult Offshore Renewable Energy, *Capturing our Impact*, June 2024.



Spinouts

Spinouts are increasingly driving regional growth and attracting venture capital investment.

Spinouts play a crucial role in R&D commercialisation of cutting-edge technology, particularly in high growth sectors such as deep-tech or biotechnology. Spinouts from the UK's leading academic institutions are often at the forefront of helping to drive the economy. Boasting world leading universities like Newcastle University and Durham University, the North East is well placed to continue to benefit from a wide range of these spinout businesses. Data from Beauhurst shows that the North East boasts 68 spinouts. The majority (44) of these are located around the top universities in Newcastle and County Durham, with the rest spread across the region's Local Authorities.

The innovative businesses that come from university spinouts often seek support from venture capital in order to continue their growth trajectory. In 2025 alone, 20 businesses in the North East attracted venture capital investment, totalling some £23m invested.

Active spinouts by Local Authority¹⁰

Northumberland, 5

North Tyneside, 7

Newcastle upon Tyne, 27

Gateshead, 7

Sunderland, 2

County Durham, 17

Redcar and Cleveland, 2

Middlesbrough, 1



¹⁰ Data provided by Beauhurst directly to UK Private Capital, April 2026.

¹¹ Northumbria University has 4 active spinouts with the University of Teesside having 2, with a further 16 institutions responsible for at least 1 spinout in the region.



Spinouts cont.

North East Universities by currently active number of spinouts¹¹



34 Spinouts



Newcastle University mains a key driver of the North East's spinout ecosystem, particularly in deep tech, life sciences and engineering. Through Newcastle Innovations, its dedicated commercialisation arm, it supports the creation of spinouts and licensing of university research, providing structured pathways to market alongside investor engagement. Its spinouts are building real traction in areas such as therapeutics, advanced materials and digital technologies, with recent investments highlighting their international potential and the University's growing role in driving innovation-led growth across the region.



17 Spinouts



Durham University continues to build a strong spinout base, with particular strengths in life sciences, advanced materials and clean technologies. Through its structured commercialisation approach and the Northern Accelerator programme, it supports the creation of spinouts by connecting academic research with funding, business expertise and investor networks. This partnership-led approach enables companies to access specialist facilities, research expertise and regional innovation networks, producing businesses well suited to co-development and venture investment.



Innovation and R&D

Private capital is already playing a meaningful role in converting the North East's research and innovation strengths into scalable, investable businesses.

Private capital investors are backing a pipeline of high potential companies, the fact that almost **two-thirds** (64%) of backed renewable & clean energy companies in the region explicitly use private capital for Research & Development purposes¹², clearly demonstrates the impact of private capital in helping to drive research intensive businesses.

This opportunity is strengthened by the region's well developed public innovation infrastructure, which helps de-risk early-stage growth and create conditions in which private capital can deploy at greater scale.

Evidence on innovation outcomes highlights the strength of private capital-backed businesses in the North East.

Businesses backed by venture capital in the region are also 3.2x more likely to hold a patent than non-backed peers¹³.

¹² Analysis of Beahurst data by Henham Strategy for UK Private Capital. The majority of firms captured were VC investments, but there may be a small percentage of PE.

¹³ Ibid.



Innovate
UK



Innovate UK's investment team works directly with private investors to drive capital into high-potential UK innovation. They bridge regional and sector funding gaps by connecting public and private investors with emerging, high-growth opportunities.

Supporting a diverse network of early- and late-stage investors, public organisations, and private networks across the UK and internationally, Innovate UK helps these partners identify new opportunities, share funding risks, and navigate the UK innovation ecosystem to inspire innovation-focused investment strategies and connect investors across all stages of business growth.



Private capital and productivity

The UK has a long-established productivity challenge. Over time, output per worker and per hour has grown more slowly than in many comparable economies, leaving the UK with a persistent gap that constrains wage growth, living standards and the sustainability of public finances.

Productivity performance is also uneven across the UK: London's output per hour worked is 28.5% above the UK average and the South East is 7.7% above, while all other nations and regions are below. The North East sits towards the lower end of this distribution, with output per hour worked 14.6% below the UK average¹⁴. However, the region is moving in the right direction as since 2019, output per hour worked has grown by 2.3%¹⁵.

Improving firm-level productivity is an area where private capital has a proven track record and can offer lessons to the wider business population. Analysis of published academic studies by Public First found that private capital-backed businesses increase their productivity by 1.1% per year more than the business population as a whole¹⁶.

This reflects a central feature of the industry's active ownership model – a focus on management capability, good governance and adopting technology to enhance business operations.



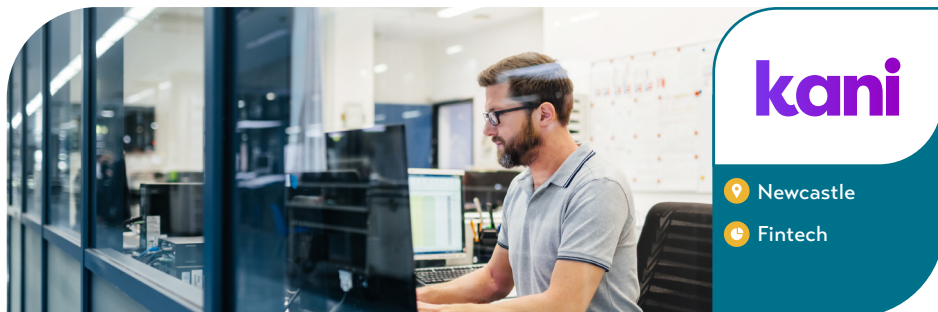
¹⁴ Office for National Statistics, *Regional and subregional labour productivity, UK: 2023*.

¹⁵ Ibid.

¹⁶ Public First, *Private capital and the UK's productivity gap, 2025*.



Case study: Kani



Kani

Backed by Maven Capital Partners

Founded in 2018 and headquartered in Newcastle, Kani helps payment and fintech companies solve one of the sector's most persistent operational challenges: turning complex transaction data into accurate reconciliation, reporting and compliance outputs.

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Payments businesses often work across multiple processors, schemes, banks and programme partners — each producing data in different formats. Kani brings that data together in one platform, helping teams automate reconciliation, identify exceptions and produce the evidence needed for scheme and regulatory reporting.

Kani's specialist technology is now used by financial services businesses across five continents, including TransactPay, Cardaq, Pluxee and Moorward. To date, Kani has reconciled over €24 billion in processed payments.

Maven's investment is supporting Kani's next stage of growth, including further product development, team expansion and international scale. As payment firms face increasing data complexity, stricter safeguarding requirements and greater regulatory scrutiny, Kani is well positioned to meet rising demand for specialist reconciliation and compliance technology.



Case study: ITC Service



ITC Service

Backed by BGF

Founded in 2016, by Christopher Potts and Peter Anderson, ITC Service is Hebburn-based company delivering customer-focused, business-critical outsourced IT services to more than 400 SMEs across the North East of England. The company provides services including managed IT support, cyber security, Microsoft 365 cloud services, voice, communication, consulting and digital transformation.

The company has a long-established track record of delivering exceptional client outcomes. With an appetite to accelerate growth, through a leading service offering, combined with a client-focused approach, ITC is well positioned to expand its footprint in the regional market.

BGF invested into the company in 2024, which is allowing the business to continue scaling, through a combination of organic growth and the acquisition of complementary providers in neighbouring regions.



Case study: InvenireX



InvenireX

Backed by DSW Ventures and XTX Ventures

InvenireX has developed a highly sensitive DNA detection and quantification platform with exceptional performance – up to 200-fold greater sensitivity than qPCR and a 60-fold improvement over digital PCR, while halving both time and cost per test. Quantitative results are delivered in minutes rather than hours or days, representing a step change in speed, accuracy and accessibility.

The implications are potentially transformative. Tumours could be detected much earlier than is currently possible, significantly improving patient outcomes. Vaccine manufacturers could, for the first time, verify the presence and concentration of active ingredients at production scale. Researchers could also identify biological markers that have previously been undetectable, opening new avenues in genomics and drug discovery.

Founded in 2021 by Dr Dan Todd and based in Newcastle, InvenireX raised a £0.5m pre-seed round from DSW Ventures and XTX Ventures in early 2024. Less than 18 months later, on the back of very strong progress, DSW Ventures led a £2.9m seed round alongside XTX Investments and new investors from both China and Hong Kong. The round supports commercial pilot programmes, team expansion and manufacturing readiness, and includes significant grant funding from Innovate UK.

The company is now undertaking the first production run of its leading-edge technology - the R.O.S.A.L.I.N.D.



The investment ecosystem: Recommendations

The private capital landscape in Northern Ireland has evolved significantly over recent years. **Four private capital firms are headquartered there, playing a vital role in attracting investment into dynamic business throughout the nation.**

While there is successful private capital investment into these areas, the fact remains that investment still disproportionately goes into London and the South East of England. Redressing this balance will require a range of barriers to be overcome - from increasing support for Government investment vehicles, to pensions investment reform and business friendly infrastructure.

University Spinouts

The UK's world-class universities have a history of producing innovative companies, and there has been good progress in terms of the number of spinouts generated and the amount invested, with the UK now producing a similar number of spinouts per capita to the US. Over the past decade, average university equity stakes have fallen from 25% to around 16%, which can be attributed to progress following the 2023 Independent Review of Spinouts. However, the UK still falls behind on commercialising ability of these companies to go and raise external funding.

UK Private Capital recommends scaling those programmes that are already delivering impact and welcomed the substantial increases in the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) limits. However, the reduction in income tax relief from 30% to 20% for VCTs is a concern, as it could lead to a decline in fundraising which will potentially impact high growth and high-risk investments.



The investment ecosystem: Recommendations cont.

Local Government Pension Schemes (LGPS) and Pensions Reform

The UK pension landscape is one of the largest in the world, but underinvests in domestic private capital funds. UK Private Capital analysis has shown that, on average, foreign pension funds invest approximately 16 times more into UK-managed funds than domestic pension funds. The LGPS funds and pools are well placed to support regional growth opportunities, and have a strong track record of doing so. As the LGPS landscape evolves and consolidates, UK Private Capital calls for it to ensure that local and regional investment remains a key priority. The recent UK Government steps to reform the DC pension sector are welcome, but more must be done to ensure savers can benefit from innovative businesses like those in the North East, in the same way as those in other countries currently do. UK Private Capital is calling for DC pension funds to support growth through private capital investment.

British Business Bank

The British Business Bank (BBB) plays a significant role in supporting regional and growth funding in the venture capital ecosystem and the pensions and growth agenda. The BBB must ensure it catalyses competitive investment ecosystems

across the UK, both through its regional angel funds, regional funds and wider programmes. Many parts of the UK currently have limited funding options and are overly reliant on a single institutional fund; this would be strengthened by the creation of new VC funds that can compete effectively for deals. Greater competition would ensure entrepreneurs and businesses across the regions and nations have genuine choice in where they raise capital, with investors competing on terms and levels of investment, rather than driving firms to relocate to secure funding.

Investment Signals

In the North East Combined Authority and the Tees Valley Combined Authority's local growth plans' neither mention private capital, despite both referencing the need to attract greater investment into key sectors. This could imply a lack of local expertise in both attracting and working with private capital at a legislative level, but also misses the opportunity to recognise private capital as a strategic lever for investment in the North East. To attract even greater levels of private capital investment in the region, local government should provide greater clarity, legitimacy and confidence for investors, that improves awareness among businesses that may be unfamiliar with private capital as a source of long-term growth funding.



The investment ecosystem: Recommendations cont.

Skills and Talent

Both domestic and international skills shortages remain a persistent barrier to growth for businesses, and businesses across the nations and regions of the UK have access to the skilled workforce they need to generate growth. UK Private Capital recommends that the UK visa system should be modernised to introduce a more efficient, user-friendly process for high-skilled visa routes, and introduce specialist visas for sectors critical to national security and innovation, aligned with the UK's Industrial Strategy. To close domestic skills gaps, the Government should also improve regional skills infrastructure, in partnership with industry and Skills England. This means promoting STEM and enterprise education, skills training programmes that focus on the North East's sectoral strengths, and investing in universities, Further Education colleges and Institutes of Technology as anchors for regional workforce development.

Regulatory Barriers

Private capital is a key driver of growth and productivity in strategic sectors like advanced manufacturing, energy, digital technology, and life sciences. Yet, this potential is often constrained by a regulatory environment that is outdated, duplicative, and slow. For the UK to compete globally and attract more

of the £190 billion in deployable capital held by UK-led private funds, regulation must evolve from a brake on investment to a bridge for economic growth. UK Private Capital recommends that the Government ensure the UK's regulatory and competition institutions across all growth-driving sectors maximise the private equity and venture capital industry's ability to invest in businesses of all sizes. This means delivering predictable, pro-innovation regulation that establishes stable frameworks so that investors can plan with confidence.

Planning and Infrastructure

Infrastructure underpins all economic activity by connecting people, goods, services, and ideas, and improvements in infrastructure will be essential to promoting economic growth across the UK. Planning laws need to be changed to make it significantly quicker and easier to build both the facilities and the supporting infrastructure that enable investment and job creation in the UK. To unlock regional growth and investment in the North East, it is essential to modernise local planning through digitising planning systems, increasing capacity by investing in training planning officers, introducing clear approval deadlines, and prioritising infrastructure and energy related applications.



About UK Private Capital

UK Private Capital (formerly the BVCA) is the association of the UK private capital industry. We represent 600 firms including the wider ecosystem of professional advisers and investors.

Private capital consists of private equity and venture capital which make long-term investments to grow British businesses and build a better economy. Private credit and venture debt provide active and engaged debt finance to businesses.

The private capital industry backs 13,000 UK businesses, nine in 10 of which are small or medium-sized enterprises. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP.

In 2025, £25bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology.

This increased investment has fuelled the growth of businesses across the UK, with 6 in 10 (57%) of companies backed by the industry in 2025 being outside of London. These investments are long-term, with an average investment period of six years, in contrast to less than a year in public markets.

UK-based private capital specialists have raised £190bn of funds, known as dry powder, which is expected to be invested over the next three to five years.

ukprivatecapital.co.uk

