UK PRIVATE CAPITAL
Invested in a better future

Venture Capital in the UK

May 2026

Contents

Foreword

The United Kingdom is the third largest VC market in the world, behind only the US and China, thanks to deep entrepreneurial talent, globally recognised research institutions, and a sophisticated financial services sector.

This report examines the current state of the UK venture market, the structural strengths that continue to make the UK an attractive environment for venture investment and fund formation, and the policy and capital challenges that will shape the sector's next phase of growth.

In 2025, investment activity stayed strong, with approximately £8bn invested into UK venture-backed businesses, supporting innovation, productivity, and high-skilled jobs across the economy.

Momentum has continued to build into 2026, particularly in sectors such as artificial intelligence and life sciences, where the UK continues to demonstrate global leadership and attract significant investor interest.

The UK's strengths as a venture capital hub remain substantial, while recent policy developments have also strengthened the outlook for the sector.

The latest Budget introduced significant important reforms long championed by UK Private Capital - the major expansion of EIS and VCT investment limits; the expanded remit for the British Business Bank backed by a two-thirds increase in resources to £25bn; the new British Growth Partnership backing UK scale-ups; and Venture Link, a platform giving institutional investors direct sight of the BBB's LP investments.

However, structural challenges remain. These include limited domestic pension capital allocations, tax incentives for high-growth firms, barriers to scaling and accessing talent. Reflecting these pressures, venture fundraising slowed in 2025, with total funds raised falling to around £2bn.

This report highlights the scale-up challenge that the UK is facing. The defining opportunity for the UK, which has built a strong early-stage ecosystem, must be for UK VC to play a key role in later funding rounds as companies scale their operations, ensuring that the long-term value created by innovation grows the UK economy. Unlocking domestic capital – particularly from pension funds and reinvesting founders – is the most important step in closing that gap.

UK Private Capital continues to lead work across industry and government to address this, including through initiatives such as the Sterling 20, our work on pensions reform and investment structures.

The direction of travel is increasingly clear. The UK already possesses many of the ingredients required to build globally leading companies at scale – world-class innovation, deep capital markets, experienced investors, and growing policy support. The next phase will depend on ensuring that institutional capital, regulatory frameworks and investment structures evolve quickly enough to match the strength of the ecosystem itself.

As Chair of UK Private Capital's VC Forum, I look forward to working with members, policymakers and the wider industry to help drive that progress forward and ensure the UK remains one of the best places in the world to start, scale and invest in innovative businesses.

Amelia Armour
Partner, Amadeus Capital Partners
& Chair of the UK Private Capital
VC Forum

Section 1

Venture Capital in the UK

UK Venture Capital at a Glance

The UK venture ecosystem is large, productive and globally competitive.

£8bn
invested into UK venture-backed businesses in 2025 by VC firms alongside others

9,100
high-growth businesses are backed by venture capital in the UK

378,000
people are employed by companies backed by venture capital across the UK

50%
of venture businesses backed in 2025 were outside of London

7 years
average holding period for VC-backed businesses exited in 2025 but can be more than 10 years

13% p.a.
10-year horizon IRR for UK managed VC funds vs 5.3% and 7.5% for the FTSE All Share Index and MSCI Europe Index

The UK as a VC Hub

In an environment of global political and economic uncertainty, the UK remains a global VC hub. Attracting capital into new UK businesses and supporting them to grow is vital if we are to ensure the benefits of economic growth, including jobs, skills, and wealth creation, are felt across nations and regions of the UK.

Investment

In 2025, VC general partners, alongside corporates and other financial investors, invested £8 billion into UK venture-stage businesses. This flow of capital plays a critical role in translating innovation into commercial success, ensuring that new ideas generate jobs, skills and economic growth across the country.

Venture capital invests across the whole of the UK. In 2025, more than 9,000 businesses were backed by venture funding, supporting innovation throughout the nations and regions. These companies employed 378,000 people – an increase of over 60,000 since 2023 – demonstrating the growing economic contribution of the sector.

UK Private Capital data shows that early-stage companies make up over 80% of all venture-backed companies, consistent with the long-term trend, and illustrating how capital can reach companies at the earliest stages of development.

Later-stage venture capital funding remained broadly stable year-on-year, attracting 44% of total investment. This demonstrates that British businesses are able to attract scale-up capital – although as shown by data presented later in this report, the proportion of VC investment coming from overseas investors increases for larger funding rounds.

Venture capital is, by design, long-term. In 2025, the average holding period for exited UK-based investments was almost 7 years, reflecting the sustained capital and support required to build and scale high-growth businesses. This long-term investment enables companies to expand, improve productivity, develop talent, and create high-quality jobs.

These trends and investment amounts are consistent with 2024, demonstrating the resilience in UK venture capital markets despite wider macroeconomic challenges. Venture capital investors continue to back companies operating in AI, deeptech, defence technology, advanced manufacturing and other strategically important sectors across the UK.

Fundraising

Venture capital fundraising totalled £2 billion in 2025, below the level seen in 2024 – when several large funds closed – and broadly in line with 2023. The number of funds raising capital declined slightly from 48 in 2024 to 42 in 2025.

While UK firms continued to raise capital in a competitive global environment, the overall level of fundraising remains subdued relative to the scale of the UK's innovation economy.

Despite these constraints, UK venture funds continued to attract capital from a diverse range of investors. Notably, private individuals accounted for the largest share at 18% (up from 7% in 2024), followed by insurance companies (7%), with capital markets investors, corporates and government each contributing around 6%.

However, this distribution of capital also highlights a structural imbalance. The continued underrepresentation of UK pension funds – despite their scale and long-term investment horizons – remains a defining feature of the market which this report will detail.

"The UK's leading venture ecosystem is underpinned by world-class research, deep founder talent and strong early-stage capital formation. The priority now is ensuring that this pipeline of innovation is matched by sufficient scale-up capital to build globally competitive companies."

Adrian Rainey,
Operating Partner,
Balderton

Nations and Regions VC Investment

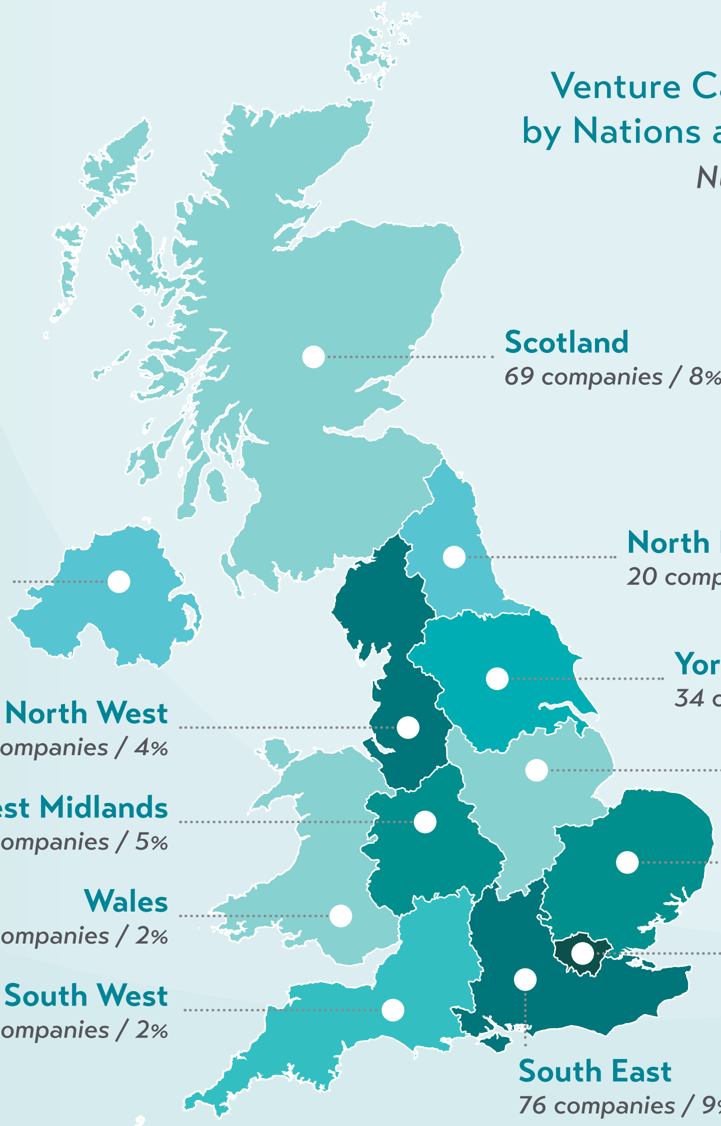
National and regional investment patterns reflect both the strength and imbalances of the UK's venture ecosystem. While London continues to dominate as a global capital hub, a growing share of venture-backed businesses are located across the wider UK.

Ensuring that these companies can access the capital required to scale – wherever they are based – will be critical to delivering more geographically balanced economic growth.

Venture Capital Investment by Nations and Regions (UK)

Number of Companies

Source: UK Private Capital Report on Investment Activity 2025



Nations and Regions VC Investment

“Capital is one of the vital pieces of the startup jigsaw for early-stage deeptech and life sciences companies in the North of England. But that alone doesn’t build companies.

“At Northern Gritstone and NG Innovation Services, we pair capital with all the other essential pieces by connecting world-class research with global ambition and pace, with commercial know-how and with experienced scale-up leaders. helping to create a world-class innovation ecosystem that is rooted in the North but global in outlook.”

Joanne Hosker,
Head of NG Innovation Services,
Northern Gritstone

Draig Therapeutics

Draig was built upon the unique scientific expertise of Professors John Atack and Simon Ward in modulating the core Glutamate and GABA pathways, which play a critical role in neuropsychiatric diseases and are ideal targets to deliver transformative new therapies for patients.

Both scientific co-founders are Directors of the Medicines Discovery Institute (MDI) at Cardiff University and bring not only deep academic expertise but also decades of drug development experience from time at large pharmaceutical companies. Their deep knowledge of the interplay and balance between excitatory and inhibitory neurotransmission has led to novel insights that underpin Draig’s transformational pipeline.

Draig was co-founded in 2024 by SV Health Investors with a world-class team of highly experienced industry experts and proven company builders with strong track records of driving innovation and developing transformative therapies. The company was supported with initial seed funding from **SV Health Investors** and **ICG**, with additional leading healthcare venture firms joining Draig’s oversubscribed Series A financing which took total raised to $140 million in nine months from founding.

Performance of UK Venture Capital Funds

Our latest Performance Measurement Survey Report, covering fund performance as at 31 December 2024, shows that UK-managed venture capital funds have delivered strong and persistent long-term returns.

UK-managed VC funds generated an internal rate of return (IRR) of 12.0% per annum over a five-year horizon and 13.3% per annum over ten years. These results reflect the long-term successes of venture investing, where value creation typically accrues over extended holding periods as companies scale, commercialise innovation and expand internationally.

By comparison, over the same periods the FTSE All-Share Index returned 4.8% per annum over five years and 6.2% per annum over ten years. While public markets have differences in liquidity, risk profile and valuation methodology, the contrast provides a useful illustration of the role venture capital can play in enhancing long-term portfolio outcomes.

Venture capital offers exposure to innovation-led growth, particularly in frontier technologies, that is structurally under-represented in public markets, alongside the potential for higher long-term returns that can materially improve member outcomes over decades.

Despite this alignment in ambition and potential for higher returns, this report finds that UK pension funds remain significantly under-allocated to venture capital relative to international peers.

This is not a reflection of performance or insufficient opportunity, but of structural barriers, governance constraints and a historical preference for low-cost, liquid assets. UK savers therefore have limited exposure to one of the strongest sources of long-term value creation in the economy.

"Disciplined capital deployment, grounded in data, valuation rigour and risk management, remains key to consistent fund performance. In a competitive and volatile environment, this measured approach enhances transparency, supports resilience and drives long-term venture returns."

Chloe Dagnell,
Principal, Isomer Capital

Sector Focus: Deeptech

Our data shows that deeptech & AI companies received almost two thirds (63%) of venture capital investments flowing to UK companies in 2025 – a total transaction value of £5bn.

Key verticals targeted in 2025 within deeptech included biotech, clean tech and machine learning in addition to AI. Our analysis includes businesses which are developing AI driven products and businesses which are using AI to find new scientific discoveries.

Over 60% of the deeptech and AI businesses backed were outside of London. We see that investment into AI companies is concentrated in London, with deeptech businesses in other sectors such as biotech having a greater geographic spread around the country.

Synthesia was founded in 2017 by a team of AI researchers with a mission to empower everyone to create high-quality video content - without the need for cameras, microphones or studios.

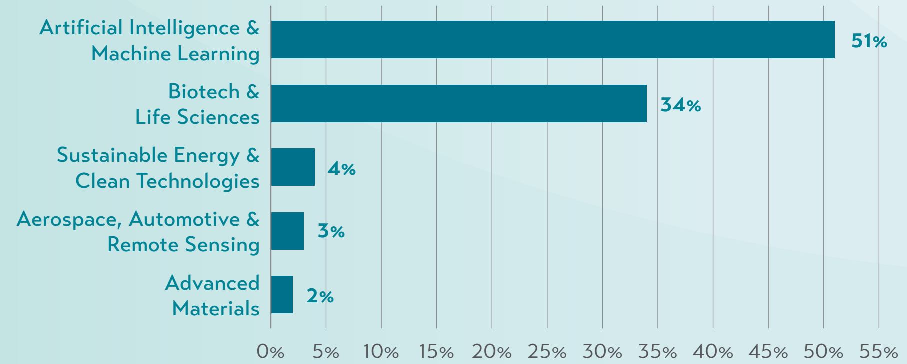
Since then, Synthesia has grown rapidly, becoming a unicorn in 2023 and recently surpassed a $4bn valuation, serving more than 55,000 companies worldwide, including 90% of the Fortune 100. Its platform enables users to generate professional video content simply by typing a script, with access to a wide range of AI avatars and over 160 languages, transforming how organisations create and scale visual communication.

MMC Ventures first backed the company in 2019 and has participated in every follow-on round since. Their investment is supporting Synthesia in building a category-defining platform for enterprise video, with applications across learning and development, knowledge sharing, product marketing, and sales enablement.

Deeptech & AI Breakdown - Top 5 Subsectors

The graph illustrates the split of venture-backed Deeptech and AI companies headquartered in the UK for the largest subsectors:

Note: 6% of capital investment went to other Deeptech subsectors



"The UK remains world-leading in deep-tech innovation, underpinned by its universities and ability to attract global talent. For a long time, the international VC sector was slow to recognise and capitalise on the transformative technologies emerging here, but this is now changing, particularly across AI, quantum and life sciences."

Manjari Chandran-Ramesh,
Partner, Amadeus Capital

Section 2

The UK's Scale-Up Challenge

The UK's Scale-Up Gap

The UK has built one of the world's most dynamic early-stage venture ecosystems. The defining challenge now is what happens next: the transition from company formation to sustained growth. This "scale-up gap" has become one of the central constraints on UK productivity, innovation, and long-term capital formation.

At the earliest stages of company development, including seed and Series A funding, the UK performs strongly. It remains Europe's leading venture capital market by ecosystem depth and startup activity, supported by world-class universities, research institutions, and entrepreneurial talent. The constraint emerges at later stages, where companies require significantly larger pools of patient, risk-tolerant capital to scale.

As global competition for leadership in frontier technologies intensifies, access to long-term growth capital is a necessary strategic economic capability. Businesses operating in these sectors are significantly more capital intensive than earlier generations of digital startups, requiring repeated large-scale funding rounds to finance compute infrastructure, research and development, specialised talent, regulatory processes, and international expansion.

Data from Beauhurst (below) highlights the extent of the gap. While foreign investor participation in smaller deals remains relatively limited, it rises sharply at later stages.

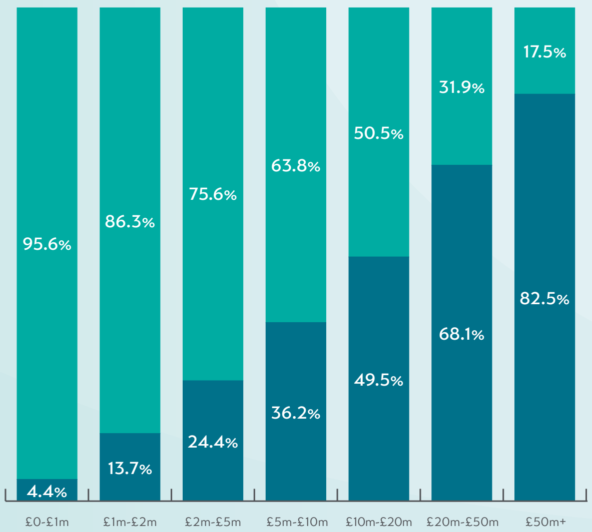
In 2025, more than three-quarters of equity deals above £50 million involved at least one overseas investor, representing over 85% of total deal value in that segment. International capital is increasingly anchoring UK growth rounds.

Proportion of equity investment value with foreign investors by deal size

2020-2025 (Deal Value)

One or more foreign investor

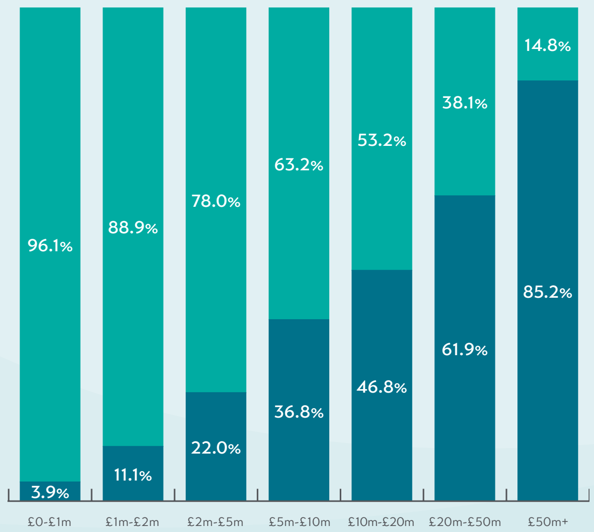
False True



2025 (Deal Value)

One or more foreign investor

False True



Source: Beauhurst Insights for UK Private Capital

UK Pensions and the Scale-Up Gap

Where domestic capital is unable to participate meaningfully at scale, a growing share of the long-term financial upside, ownership, and strategic influence associated with those companies is concentrated overseas.

While foreign investment brings substantial benefits, including expertise, liquidity, and international connectivity, a persistent underrepresentation of domestic institutional capital can reduce the extent to which long-term financial returns are retained and recycled within the UK economy.

The root of this gap lies in the structure and risk appetite of the UK's largest capital pools, particularly pension funds. UK defined contribution (DC) pension schemes hold £249 billion in assets yet allocate only a minimal share to UK venture and growth capital. International comparisons underline the gap: non-UK pension funds invest 16 times more into UK private capital than UK pensions.

When overseas investors dominate later funding rounds, they capture a disproportionate share of returns, influence strategic decisions, and often anchor companies' long-term trajectories outside the UK. The result is a gradual erosion of national economic upside and technological sovereignty.

Addressing this challenge requires unlocking domestic institutional capital at scale. The Mansion House Compact and subsequent Accord represent a significant step in that direction.

However, allocations to unlisted equities in DC default funds are still close to zero, highlighting not only the scale of the opportunity but a widening gap between ambition and delivery. While building the necessary governance, expertise and investment vehicles will take time, the current pace is too slow.

Without change, the UK risks entrenching a model in which it creates innovation but fails to capture its value. Ensuring that more of the upside from high-growth firms and the investors that support them is retained domestically will be decisive in determining whether the UK can turn its world-class venture ecosystem into enduring economic leadership.

Pensions Reform & Venture Capital

There is a clear and compelling case for UK pension funds to invest in UK venture capital. The asset class offers strong long-term returns, exposure to innovation-led growth, and alignment with the long investment horizons of pension savers. Despite this, allocations – particularly from defined contribution (DC) schemes – remain persistently low.

This reflects a combination of structural and behavioural factors: regulatory constraints, governance challenges, and a long-standing preference for low-cost, liquid assets. The result is a system in which UK pension savers are significantly underexposed to an important driver of long-term value creation.

In 2023, the Mansion House Compact secured commitments from eleven of the largest workplace pension providers in the UK to invest at least 5% of their defined contribution (DC) default funds in unlisted equities by 2030. This was followed by the Mansion House Accord in 2025, which saw seventeen DC schemes commit to investing 10% of default funds in private markets by 2030, with 5% of the total allocated to the UK.

Almost three years after the first agreement was signed, progress is slow. Data published by the ABI indicates that as of February 2025, only 0.6% of default funds were invested, relative to a target of 5%. This is a gap of £11bn in pension commitments.

Government has attempted to build momentum through the Pension Schemes Act which will consolidate pension funds so they are more able to invest in private capital and introduces powers that can be used by used by government to compel Mansion House Accord signatories to invest in the asset class, subject to certain conditions being met.

UK Private Capital's latest Report on Investment Activity shows that in 2025, British private capital funds received 16.5 times more foreign investment than domestic investment.

New Opportunities for Venture and Growth Acceleration (NOVA)

UK Private Capital is calling on Government to continue to press for momentum on the pensions investment agenda and adopt further measures to drive progress. This includes an official accreditation process to connect pensions decision makers with leading firms in the market, NOVA.

NOVA draws on the experience of the successful Tibi scheme in France. Since Tibi's launch in 2020, the scheme has successfully attracted approximately €12–13 billion in commitments from long-term investors.

2026 Survey of Mansion House Compact Signatories

Shortly after the first agreement was made, UK Private Capital convened 114 VC and growth equity firms to join the Investment Compact, committing private capital funds to work with pension funds to make opportunities available.

UK Private Capital collected comprehensive feedback from 83 venture capital and growth equity firms in April and May 2026 asking about their experience engaging with UK DC pension funds. It found that, while engagement is happening between pension funds and private capital, the pace of securing commitments is slow.

- UK Private Capital have only identified two legally binding commitments to VC funds by UK DC default funds aligned with the Mansion House Compact.
- Only six firms reported being in active negotiations with Mansion House signatories "with a view to securing a binding commitment".
- Three quarters (76%) of respondents felt that they had not been able to engage meaningfully with DC pension providers.
- A large majority of firms (73%) also felt that the government needs to do more to facilitate investment into private capital.

Scale-Up Reinvestment Relief

The UK risks losing experienced founders and investors at the point where they can contribute most to the next generation of scaling companies. While the UK continues to produce globally competitive businesses, founders – who have both capital and hard won operational expertise – face limited incentives to reinvest capital and expertise domestically after exit.

Current policy tools such as R&D tax credits, SEIS/EIS, VCTs and BADR play a valuable role in supporting early-stage growth and rewarding entrepreneurial risk. However, as this report demonstrates, they do not encourage the systematic recycling of founder capital and expertise back into the UK scale-up ecosystem.

UK Private Capital's proposed Scale-up Reinvestment Relief (SRR), which we are calling to be introduced in the 2026 Autumn Budget, would address this gap by allowing founders, early employees and investors to defer Capital Gains Tax when reinvesting UK-generated gains from successful exits into UK scale-ups, venture funds and R&D-intensive businesses.

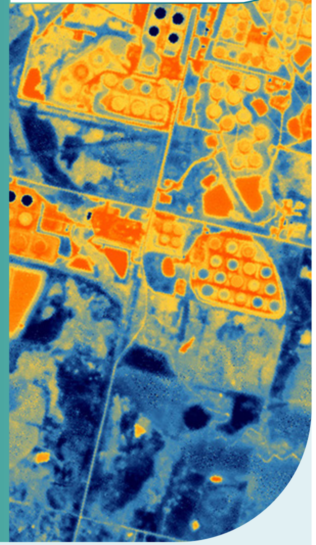
Introducing SRR would strengthen the UK's "flywheel effect", enabling successful founders to build on past success by reinvesting capital, experience and ambition into the next generation of high-growth UK companies — deepening domestic capital pools and anchoring entrepreneurial talent in the UK.

SatVu is a leading Earth observation scale-up capturing the highest resolution thermal data from space to support a safer and more sustainable planet. Its satellites measure heat variations across the Earth's surface, day and night, providing insights that cannot be achieved through traditional aerial methods such as planes or drones. Critically, SatVu can capture data from any point on the planet, including remote, inaccessible or restricted locations.

This capability enables a wide range of applications across economic monitoring, national security and climate resilience. For example, SatVu's data recently revealed near real time activity at a flagship datacentre of a Bitcoin mining company in Texas. Insights like these are valuable to regulators and grid operators assessing the impact of major energy users on local power systems, to analysts tracking capacity growth and time to operation, and to the wider public interested in the footprint of digital infrastructure.

The company launched its first satellite, HotSat 1, in June 2023 and its second, HotSat 2, in March 2026 via SpaceX's Transporter 16 mission.

Seraphim first invested in SatVu in 2019 and subsequently led both its Seed and Series A rounds. As of the time of writing, SatVu has raised £71m in total funding.



"The UK ecosystem is maturing fast, with a generation of successful companies now producing the founders and angels that seed the next wave. The structural gap that remains is domestic institutional capital at growth stage: there is plenty of money available to the best UK companies, but it flows predominantly through US managers, meaning the carried interest, the deep networks, and the long-term economic value all accrue back to the US.

"Getting UK pension funds and institutions to back UK-headquartered managers is the single biggest lever for capturing more of the value that UK innovation creates."

Ben Blume, Partner, Atomico

Section 3

Building a Stronger Investment Ecosystem

Unlocking UK Economic Growth

The UK already has many of the ingredients required to build globally competitive companies: world-class research, deep pools of entrepreneurial talent, and a leading venture capital ecosystem. The central challenge now is ensuring that these strengths translate into long-term economic value that is captured, scaled and retained within the UK.

Achieving this will depend on the policy environment. Government plays a critical role not just in supporting innovation at its earliest stages, but in shaping the conditions under which companies are able to grow, access capital and remain anchored in the UK as they scale. In practice, this means creating a system that works for those providing the patient capital required to build companies.

Venture-backed businesses are already contributing significantly to the UK economy. As this report has demonstrated, they are driving productivity, supporting high skilled employment, and commercialising cutting edge technologies across sectors including AI, life sciences and advanced manufacturing.

The next phase of growth will depend on whether the domestic investment and policy environment evolves quickly enough to support these companies beyond the startup stage.

Four principles are central to achieving this:

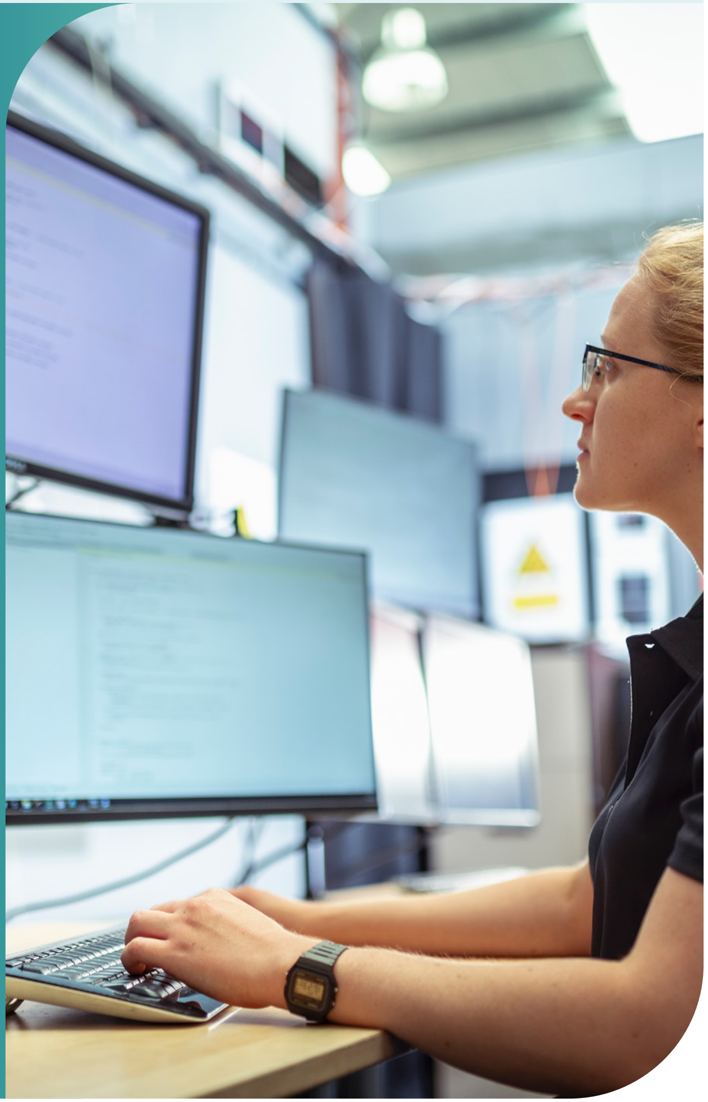
1. **Stability**
An economic environment that supports long-term planning, international investment and growth.

2. **Regulation**
Standards that are world-class and applied in a way that does not deter or disadvantage businesses seeking private capital financing.

3. **A competitive investment ecosystem**
Active support for an environment that attracts global capital and talent, reinforcing the UK's position as a leading hub for private investment.

4. **Policy predictability**
Stable and consistent tax and policy treatment over the full life of an investment, giving confidence that commitments made today will be maintained.

These principles are a framework for ensuring that the UK is able to convert its strengths in innovation into sustained economic leadership: by scaling companies domestically, unlocking institutional capital, and capturing a greater share of the value created by high-growth businesses.



Unlocking UK Economic Growth

SOV/AI

Sovereign AI is a UK government initiative launched in April 2026 and led by the Department for Science, Innovation and Technology, with a stated budget of £500 million. Chaired by James Wise, its purpose is to support the development and growth of UK-based artificial intelligence companies, with an emphasis on retaining AI capability, intellectual property and economic value within the UK.

Sovereign AI will support AI startups at early and scaling stages, particularly those working in areas considered economically significant or relevant to national security. It operates with a model similar to VC but combines direct equity investments with non-financial support intended to reduce barriers to growth.

This includes access to public supercomputing infrastructure, faster visa processes for specialist international talent, support in navigating regulation and data access, and links to public sector procurement and research funding.

British Business Bank

The British Business Bank (BBB) published a new five-year strategic plan in response to an updated Government mandate, setting out a significant expansion in its role. The BBB will increase annual investment deployment by two thirds, helping to unlock around £26 billion of private capital alongside £13 billion of the Bank's own funding, while also supporting up to £10 billion in lending through guarantees.

A key feature of the plan is its strengthened focus on scale-up businesses. The Bank will direct over 60% of its venture and venture growth investment towards scale-ups and will make larger commitments of £100 million or more to leading growth stage funds. Alongside this, it plans to expand the number and size of direct investments to ensure strategically important UK companies can access domestic capital as they grow.

These measures sit alongside a broader increase in risk appetite to support emerging technologies and priority Industrial Strategy sectors, as well as reforms to governance and processes to enable faster decision making. The strategy is intended to support around 180,000 businesses over five years.

Policy Update

Since our last report in May 2025, we have seen one of the most consequential periods for UK venture capital policy in recent years, with a series of reforms announced at the Budget – alongside subsequent investment and industrial strategy initiatives – directly addressing longstanding UK Private Capital objectives.

These measures strengthen the foundations of the UK's innovation economy by improving incentives for entrepreneurship, expanding access to growth capital, and signalling a more coordinated national focus on scaling globally competitive companies in strategically important sectors.

At the Budget, the Government announced significant reforms to EIS and VCTs, representing a major expansion of the UK's early-stage investment ecosystem. Lifetime investment limits increased to £24 million (£40 million for Knowledge Intensive Companies), while annual investment limits rose to £10 million (£20 million for Knowledge Intensive Companies). The gross assets threshold also increased to £30 million before investment and £35 million after investment, materially expanding the number of scaling businesses able to access venture funding through the schemes.

However, the reduction in the initial income tax for VCTs from 30% to 20% could lead to a material weakening of the VCT incentive and risks undermining the effectiveness of the scheme at a critical time for UK growth capital. Evidence from previous fundraising cycles and market behaviour indicates that VCT demand is highly sensitive to changes in upfront tax relief, so a reduction of 20% is likely to lead to a significant contraction in VCT fundraising. UK Private Capital will monitor the behavioural impact of these changes and their impact on the ecosystem.

The Budget also delivered important reforms to the Enterprise Management Incentive (EMI) scheme, helping scaling businesses retain access to one of the UK's most important tools for attracting and retaining talent. The employee threshold increased from 250 to 500 employees, the gross assets threshold rose from £30 million to £120 million, and the company-wide options limit doubled from £3 million to £6 million. Together, these changes better reflect the realities of scaling innovative businesses and strengthen the UK's ability to support high-growth companies as they grow.

Alongside these reforms, there has been meaningful progress in strengthening the UK's long-term growth capital ecosystem. The Government has now launched the £500 million Sovereign AI programme and increased the British Business Bank's financial capacity by a further £4 billion, alongside new initiatives including the British Growth Partnership and Venture Link platform. These aim to increase available capital and improve the flow of institutional and pension fund investment into venture and growth equity.

These developments reflect growing alignment between government, investors and industry around the importance of innovation, scale-up finance and long-term capital formation to the UK economy. UK Private Capital has played an active role in shaping this agenda and will continue to work with policymakers and industry to support the next phase of growth in the UK venture ecosystem.

Policy Update

"Venture capital is central to providing the money and expertise for the best entrepreneurs to succeed. As the UK sharpens its focus on growth through the Industrial Strategy, ensuring a strong and well-connected venture ecosystem will be critical to translating that ambition into outcomes."

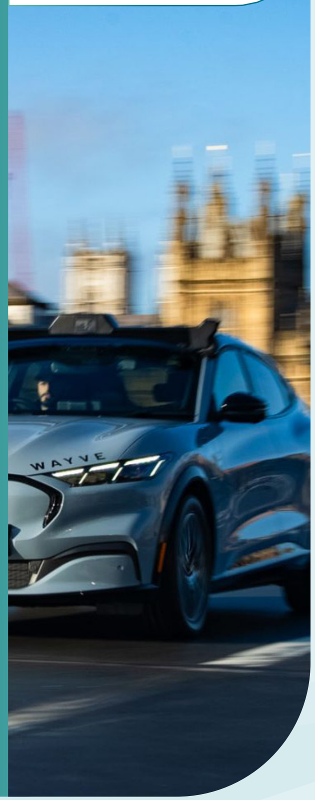
Hugh Campbell,
Managing Partner,
Bullhound Capital

Founded in 2017 by researchers from the University of Cambridge, **Wayve** pioneered the application of end-to-end AI to autonomous driving. Since then, the company has industrialised its safety-by-design architecture into a production-ready autonomy platform.

Wayve licenses its AI Driver directly to automakers, providing tools to customize driving models for specific vehicles and brands. The system runs entirely on onboard vehicle compute and embedded sensors, and doesn't rely on high-definition maps or location-specific engineering. By partnering with automakers and mobility platforms rather than vertically integrating, Wayve enables autonomy to scale globally with lower capital intensity.

Balderton first invested in Wayve at Series A in 2019 and has co-led subsequent rounds up to its recent $1.2bn Series D investment round in February 2026, which valued the company at $8.6bn and included investment from the British Business Bank.

WAYVE



Section 4

Spotlight on Defence

Spotlight on Defence

Venture capital can play a critical role in strengthening the UK defence sector by providing specialist expertise and patient, long-term capital to help advanced technologies move from development to deployment.

However, defence innovation faces the same scale-up gap seen throughout frontier sectors. The UK is effective at creating innovative companies, but too many lack access to domestic growth capital and clear routes to market. As a result, they risk scaling, selling, or relocating overseas.

In 2025, venture capital invested £250bn in transaction value into 20 UK defence startups and scale-ups, with 65% based outside London. Defence and dual-use companies require sustained patient capital investment over multiple funding rounds to support deep R&D, testing and evaluation, regulatory approval, specialist manufacturing, secure supply chains and longer procurement cycles.

The Strategic Defence Review and Defence Industrial Strategy rightly recognise the role venture capital can play in supporting UK defence and security. SMEs and startups backed by the industry are developing the deeptech and frontier capabilities — including cyber, AI and autonomous systems — that will underpin future national resilience.

The UK has strong foundations for venture investment, including world-class talent, research and intellectual property. But investors need confidence that companies can scale in the UK. At present, the availability, scale and timing of funded defence contracts are often seen as clearer in other countries. This risks exporting British innovation, high-value jobs, and strategic defence capabilities when they are most important.

Government clarity is therefore vital. Delays to the Defence Investment Plan and the Defence Finance and Investment Strategy have created uncertainty about the pace and prioritisation of UK defence investment at a critical time.

Meanwhile, European allies have moved more decisively. NATO's 2025 Annual Report shows that the UK has fallen from 3rd to 14th among NATO members for defence spending as a share of GDP since 2014, as other countries increase and deploy capital more rapidly.

The Government has announced measures to simplify processes, accelerate procurement and support defence innovation. Ringfenced funding for UK Defence Innovation and the creation of the Defence Office for Small Business Growth are welcome steps. However, UK Private Capital urges the Government to move quickly from intention to delivery.

Delivering Strategic VC investment in Defence:

- Expand the remit of the National Security Strategic Investment Fund so it can partner with high-performing funds beyond those accredited by the British Business Bank;
- Enable co-investment partnerships with funds and companies in NATO and allied countries;
- Reform the National Security and Investment Act to narrow and clarify its scope, alongside a wider review to ensure the regime supports investment in the defence sector.

Section 5

Growth Credit, Venture Debt, and Corporate Venture Capital

Venture Debt & Growth Credit

The UK has one of Europe's most advanced venture debt and growth credit ecosystems. As the scale-up gap becomes a defining constraint on the UK's innovation economy, venture debt and growth credit are emerging as complementary to equity and as critical tools for bridging that gap.

In the UK and Europe, annual venture debt and growth credit raised is now approaching $17 billion, reflecting the growing importance and continued adoption of venture debt and growth lending by high-growth companies. Venture debt typically invests in companies during a venture round alongside other equity investors. Growth credit typically happens during growth financing, either as part of a round or as a stand-alone type of financing to provide an injection of capital ahead of a further financing round or IPO.

In the context of the UK's scale-up challenge, their importance is growing. Tighter equity market conditions and the concentration of large-scale capital overseas can make access to growth funding more constrained or more dilutive for founders.

Venture debt and growth credit help address this by providing a flexible, non dilutive source of capital that allows companies to extend runway, reach key milestones, and scale more efficiently. Typically structured with warrants and aligned incentives, venture debt enables companies to reach key milestones without relinquishing significant ownership.

Despite these strengths, the UK market remains underdeveloped relative to its potential. Venture debt is still a small part of the overall private credit landscape, and awareness among founders and investors is uneven.

There is a clear opportunity to expand both the supply of capital and the number of active lenders.

The British Business Bank can lead by allocating greater capital to this asset class and encourage investment from pension schemes.

Greater participation from institutional investors and scaling dedicated venture debt funds will be critical to ensuring the UK fully realises the benefits of growth credit as a core pillar of its scale-up ecosystem.

"Venture debt is playing an increasingly important role in the funding mix, particularly as founders look to extend runway and manage dilution in a more capital-efficient environment.

"Used well, it can complement equity by providing flexible, non-dilutive capital at key stages of growth. As the market matures, we expect venture debt to become a more established part of the ecosystem, particularly for companies with strong revenue visibility and clearer paths to scale."

Mei Lim,
Group CFO and
Managing Partner,
Anthemis

Corporate Venture Capital

Corporate venture capital (CVC) is an important part of the UK's venture ecosystem, offering not just funding but strategic value that complements traditional venture capital. CVCs provide capital alongside industry expertise, commercial partnerships, and access to customers.

CVCs play a central role in the later-stage and growth funding that this report has outlined as a challenge. In 2025, CVCs led 31% of later-stage rounds (Series B and beyond) in the UK. The volume of capital CVCs can deploy makes them well suited to supporting scale, and key participants in these larger rounds. CVCs help anchor strategic investment domestically while bringing global commercial networks.

Despite these strengths, the UK still underutilises CVC relative to its potential. In UK venture rounds, CVCs took part in approximately 9% of deals in 2025, which though significant is behind the levels seen in the US.

There is therefore an opportunity to encourage more corporates to establish venture arms, and for the UK to attract more CVC platforms to locate and scale in its ecosystem.

The Government should use its convening power to create to create a new UK Scale-up Hub – a single, visible focal point in London that attracts strategic domestic and international CVCs and institutional investors, to showcase the best of UK scale-ups and help accelerate partnerships and investment.

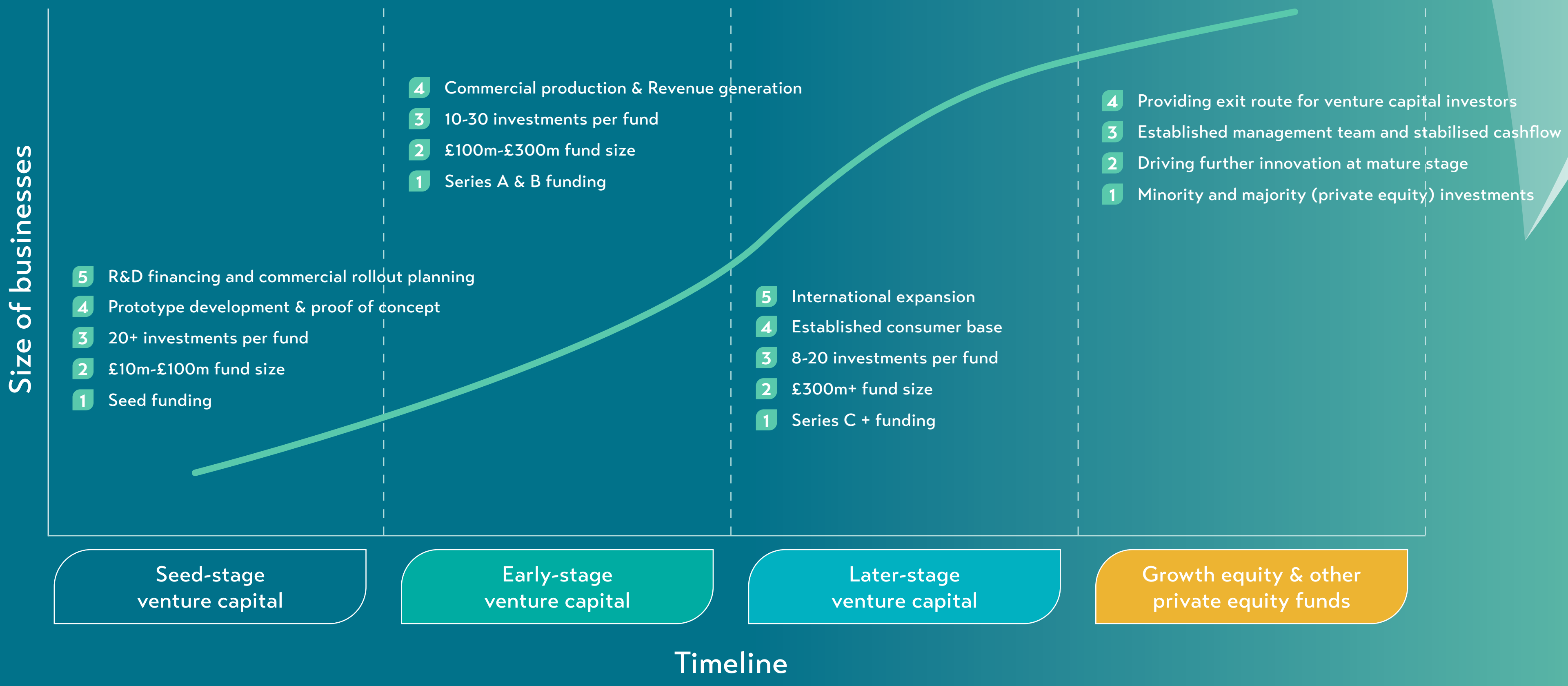
Unlocking this will be critical to strengthening the UK's ability not just to build companies, but to scale and retain them.

Section 6

Further Resources

Venture Capital Journey

Venture capital (VC) funds provide equity finance that backs early-stage innovative companies with a high-growth trajectory. Venture capital investors back companies from the earliest stages (seed) to later investment stages (series A, B and beyond). Throughout each stage, additional capital is required to enable companies to grow and enable a company to continue to innovate and create jobs. Early-stage investors back founders and teams to develop innovative products that have the potential to scale quickly, while later stages of VCs and growth equity funds allow companies to expand its reach, take risks, scale, and provide expertise to help navigate the journey to becoming a mature, larger business.



Methodology

New venture capital investment figures

UK Private Capital collects detailed annual data on investment activity of its members and other venture capital investors. We look at the amount raised and invested by UK managed funds, and the amount invested into UK businesses. Further detail on the data and methodology can be found in our Investment Activity Report.

In parallel with the publication of our latest 2025 Report on Investment Activity, we have conducted additional detailed analysis of the overall capital inflows into venture-backed businesses that received funding in 2024. The aim was to get more in-depth understanding of how much capital has been invested into UK businesses by Venture Capital General Partner investment firms in combination with other private capital sources. This analysis combines data captured from UK Private Capital members as part of the Investment activity data collection alongside third party information coming from public sources.

The results have shown that UK venture-backed businesses received £8bn of capital coming from General Partners alongside other co-investors, primarily financial institutions and corporate investors and including venture debt. This figure does not include growth equity investments, angel investments or venture secondaries.

Deeptech subsectors

The full list of Deeptech subsectors covered as part of our data collection be found here:

- Advanced Computing
- Advanced Manufacturing
- Advanced Materials
- Aerospace, Automotive & Remote Sensing
- Artificial Intelligence & Machine Learning
- Biotechnology & Life Sciences
- Communications & Networks, 5G
- Cybersecurity & Data Protection
- Electronics & Photonics
- Internet Of Things, W3C, Semantic Web
- Robotics
- Semiconductors
- Sustainable Energy & Clean Technologies
- Virtual Reality, Augmented Reality, Metaverse
- Web 3.0, Blockchain, Distributed Ledgers, NFTs

Contacts & Useful Resources

- Report on Investment Activity
- Investing in tomorrow: Private capital's role in the green transition
- Economic contribution of UK private equity and venture capital in 2025
- Annual Review 2025-26: Investing for a better economy
- Performance Measurment Survey
- Model Documents For Early Stage Investments

If you would like to discuss the report or the industry's contribution more generally, please contact any of the following:

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Invested in a better future

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