

Investing in Ambition: Scotland's Equity Risk Capital Market 2022

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About the report

Introduction

2022 set a **new record** for Scotland's equity risk capital market, **with £953m raised** across 407 deals.

This placed Scotland as the next best performing market after the three regions that make up the Golden Triangle (London, South East and the East of England). This is a continuation of the market growth seen over several years, and the growing reputation of Scotland's innovative and high growth companies and their success in securing investment.

Despite a challenging global economic context, the Scottish risk capital market showed remarkable resilience in 2022. Encouragingly, Scotland continues to place after the Golden Triangle for Private Equity & Venture Capital deal participation. Three large deals (above £50m) were particularly impactful on Scotland's strong performance in 2022. Investment in Scotland's spinouts also reached a new record, and while the underlying market (deals below £10m) saw a slight decrease overall, with the below £2m market most affected, investments in the £2m-£10m range remained stable.

However, data highlights changing investor sentiment which began to impact market activity in the second half of the year, and the consensus is that this is likely to continue through 2023. The supply of equity finance is becoming scarcer relative to demand. Globally, and across the nations and regions of the UK, we are facing into an increasingly challenging economic context. As interest rates have risen in response to greater economic and geopolitical uncertainty, investors have become more cautious. There are clear market signals that investors are becoming increasingly selective in the deals they transact and are focusing even more on creating value from the best prospects in their existing portfolios.

This report is the latest in a series that tracks the flow of equity investment into Scottish headquartered companies, setting Scotland's performance alongside the other nations and regions of the UK. Our analysis is based on Beauhurst data, and the deals tracked via their platform. It seeks to capture information on as many deals as possible rather than just announced deals, recognising that there will still be undisclosed deals and incomplete information. This means that totals reported in earlier years will change as deals (not previously disclosed) are added to the database.

This evidence base is used to inform Scottish Enterprise's interventions to support ambitious early-stage high growth companies, which in turn, supports the continued growth of the Scottish equity risk capital market.

About Scottish Enterprise

Scottish Enterprise is Scotland's national economic development agency, committed to growing the Scottish economy for the benefit of all, helping to create more quality jobs and a brighter future for every region.

The investment function within Scottish Enterprise supports Scotland's SME funding market to improve access to early-stage growth capital.

Scottish Enterprise responds to market gaps that limit ambition and potential by increasing the supply of early-stage equity and debt finance. Working alongside public and private providers of finance, Scottish Enterprise interventions are evidence based and informed by the work of our Market Intelligence Team, who produce this report and benchmark Scotland's performance with the other equity markets operating across the UK.

The early stage is defined as **the pipeline of pre start-up, start-up, growing and expanding businesses**, frequently innovative and technology based, **with the potential to achieve high growth**, and to become companies of scale.



Review of the UK market in 2022

The role of London as a global investment hub continues to be a stand out feature of the UK market, and despite economic and political uncertainty impacting negatively on market sentiment, 2022 was still the second highest year on record (after 2021) for investment. UK investment reached £24,795m with 6,873 deals transacted. Looking at the second half of the year, there was a marked change in performance, reflecting global trends. Total investment was down by 40%, reaching £9,320m, compared with £15,475m in the first half of the year. The number of deals also fell in the second half of the year, albeit to a lesser extent, from 3,794 to 3,079 (down by 19%).

Declines in the availability of venture funding have been widely reported, and it is expected that this will continue into 2023. In the US, venture funding fell in each quarter of 2022 and continued to fall in the first quarter of 2023. A reduction in \$100m plus deals contributed to a 49% drop on 2021 investment at this level ([CB Insights, State of Venture Report 2022, January 2023](#)).

2022 also saw a reduction in the number of exits, with M&A, IPOs and SPACs all down on 2021 levels. IPOs have been hit hardest, with a reduction of 31% when compared to 2021. Declining valuations and tricky exit conditions are also reported to have put pressure on companies' ability to exit via IPOs ([CB Insights, January 2023](#)).

Deal making is taking longer, with Seed and Angel to Series A deals taking five months longer on average ([CB Insights, The State of Venture in 5 Charts, April 2023](#)). Despite these increasingly challenging conditions, there is still significant capital available and funds seeking attractive opportunities. Scotland is well placed to face into these challenges and build on progress to date growing the risk capital market.

Figure 1: Trends 2013-2022 - UK deal numbers and investment

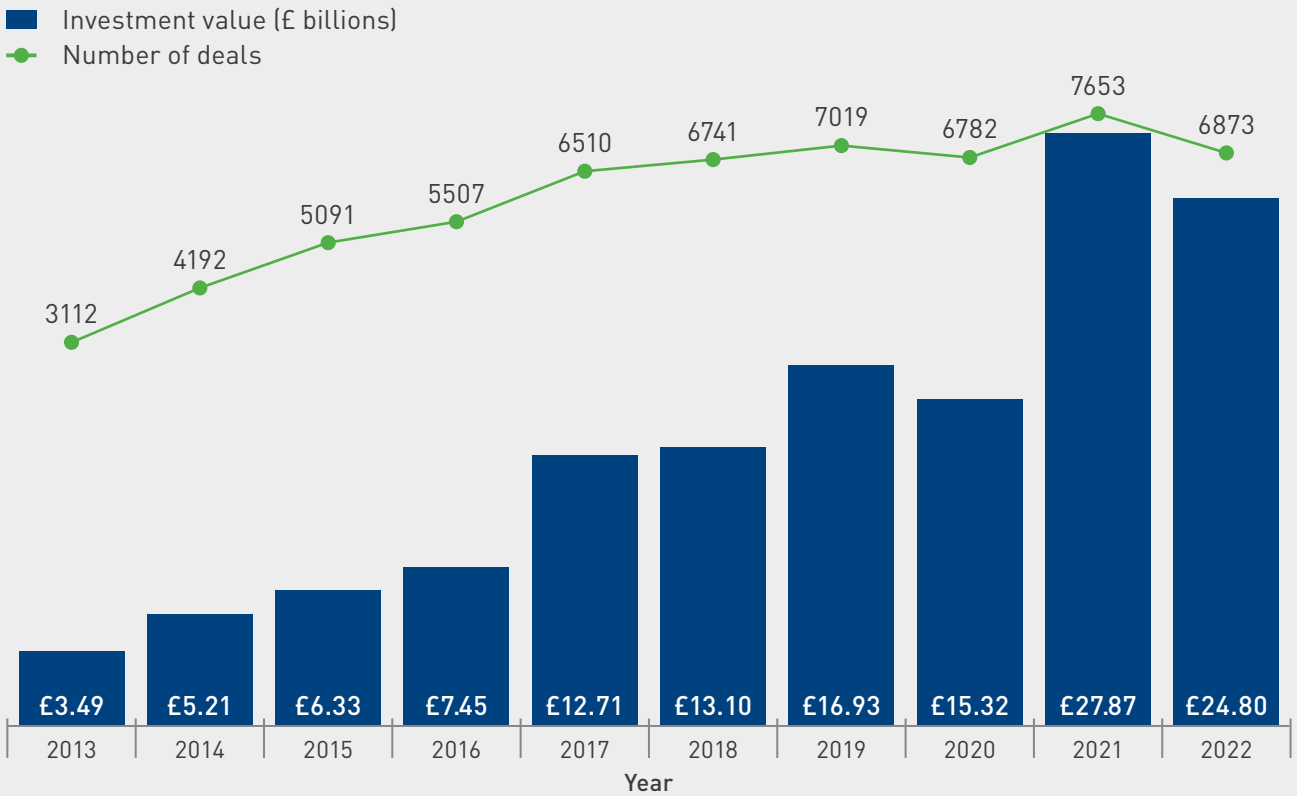
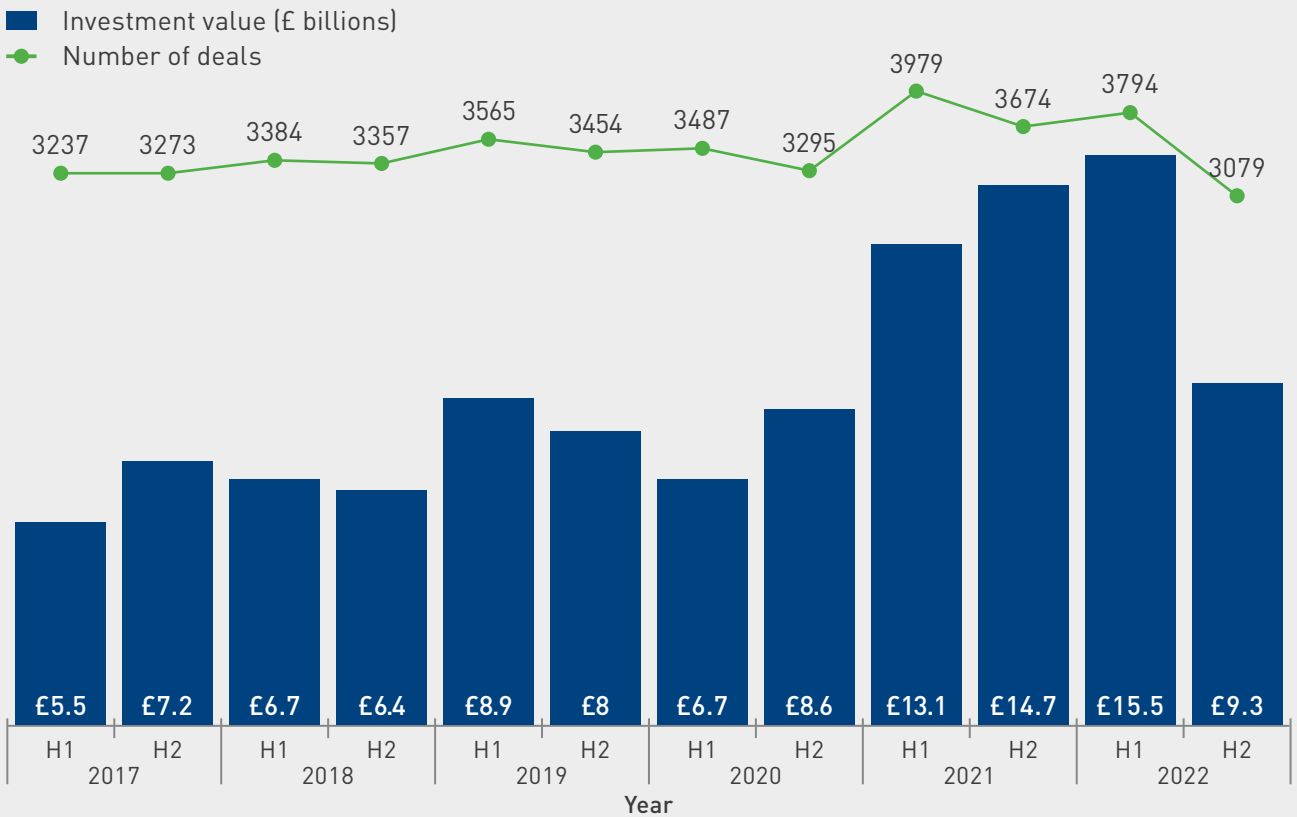


Figure 2: Trends H1 2017 - H2 2022 - UK deal numbers and investment



The impact of large deals

Deals above £100m

Very large deals (above £100m) continue to have a major influence on market performance.

These deals continue to make a significant contribution to the risk capital market, accounting for 28% of all investment in 2022, compared with 34% in 2021. While the average deal size in the above £100m market decreased by 8%, from £181m to £167m, the largest deal in 2022 was notably higher than the largest deal in 2021 (£730m in 2022 v. £578m in 2021).

Although the challenging fundraising environment has led to a decrease in investment at the top end of the market, (investment into deals above £100m in the UK fell by 27%, from £9,598m in 2021 to £7,030m in 2022), it is important to note that the UK is still attracting very large deals, and remains the top performing equity investment market in Europe, generating the largest deal value figure every year during the past decade, as outsized late-stage rounds have helped push valuations and round sizes to new heights ([PitchBook, 2022 Annual European Venture Report, January 2023](#)).

London, in particular, continues to be a magnet for very large deals, and its position as a global investment hub is apparent from the proportion of deals above £100m the region attracts. £5,966m was raised across 34 deals

above £100m (85% of the UK's total above £100m investment value and 81% of these deals), significantly more than any of the other nations and regions of the UK, including the surrounding regions which complete the Golden Triangle. The deals above £100m transacted in London are generally larger than those transacted elsewhere in the UK, with the highest value deals of 2022 all taking place in London. These included £730m into Checkout.com, £506m into SumUp, £292m into Caffè Nero, £264m into Cera and £230m into GoCardless. With the exception of Cera (Health Care) and Caffè Nero (Food and Drink), all of these companies are in the financial services sector.

It is still the case, outside London, that a handful or even one deal can elevate a nation or region's position and significantly influence overall investment performance from year to year. In the South East, £314m was invested across two deals (£200m into GRIDSERVE and £114m into Oxbotica), £275m was invested across two deals in the South West (£175m into ClearBank and £100m into TrueSpeed), one deal worth £100m took place in the East of England (into County Broadband) and one deal worth £110m took place in the North West (into Iduna). Neither the North East or East Midlands, which both had deals above £100m in 2021, had any deals in this range in 2022.

Very large deals have been **particularly impactful** on Scotland's strong performance in 2022. £265m was invested in two deals above £100m (£164m into GoFibre and £101.3m into TauRx Pharmaceuticals) compared with no deals above £100m in 2021.

Table 1: UK investment above £100m, total value and deals by nation and region, and % change

Region	Above £100m in 2021		Above £100m in 2022		% Change Value	% Change Deals
	Value	Deals	Value	Deals		
London	£7,155m	39	£5,966m	34	-17%	-13%
South East	£727m	5	£314m	2	-57%	-60%
East of England	£736m	3	£100m	1	-86%	-67%
Scotland	£0	0	£265m	2		
South West	£435m	3	£275m	2	-37%	-33%
North West	£109m	1	£110m	1	1%	0%
North East	£260m	1	£0	0	-100%	-100%
West Midlands	£176m	1	£0	0	-100%	-100%
UK Total Above £100m	£9,598m	53	£7,030m	42	-27%	-21%

Investment across the 12 Nations and Regions of the UK in 2022

London, a global investment hub, continued to dominate the UK equity investment market in 2022, attracting the largest amount of investment by value and number of deals, with £16,662m invested across 3,548 deals (67% of total deal value and 52% of total number of deals).

London, combined with the rest of the Golden Triangle, accounted for 82% of overall deal value (83% in 2021), and 69% of deals (70% in 2021). These three regions are consistently the best performing in the UK, making up the top quartile for investment and number of deals from year to year.

However, a decline in deals above £100m in each region, contributed to an overall drop in investment value in 2022, both individually (London down by 9%, South East down by 21% and East of England down by 31%), and collectively (down by 12%), with the South East and East of England being among the hardest hit. The number of deals transacted in the Golden Triangle fell at a similar rate, with collective deals down by 11%.

Scotland was the **most active investment market after the Golden Triangle**, placing at the top of the next quartile of best performing areas in 2022, making it **the fourth top region in the UK** for both investment value and deals.

In contrast with Scotland, the South West and North West, which Scotland placed behind for investment value in 2021, saw sharp decreases in amounts raised in 2022.

Indeed, Scotland was one of only four nations and regions to see an increase in investment value in 2022, alongside Northern Ireland, Yorkshire and Humber and East Midlands. Only Northern Ireland and East Midlands experienced an increase in deal numbers.

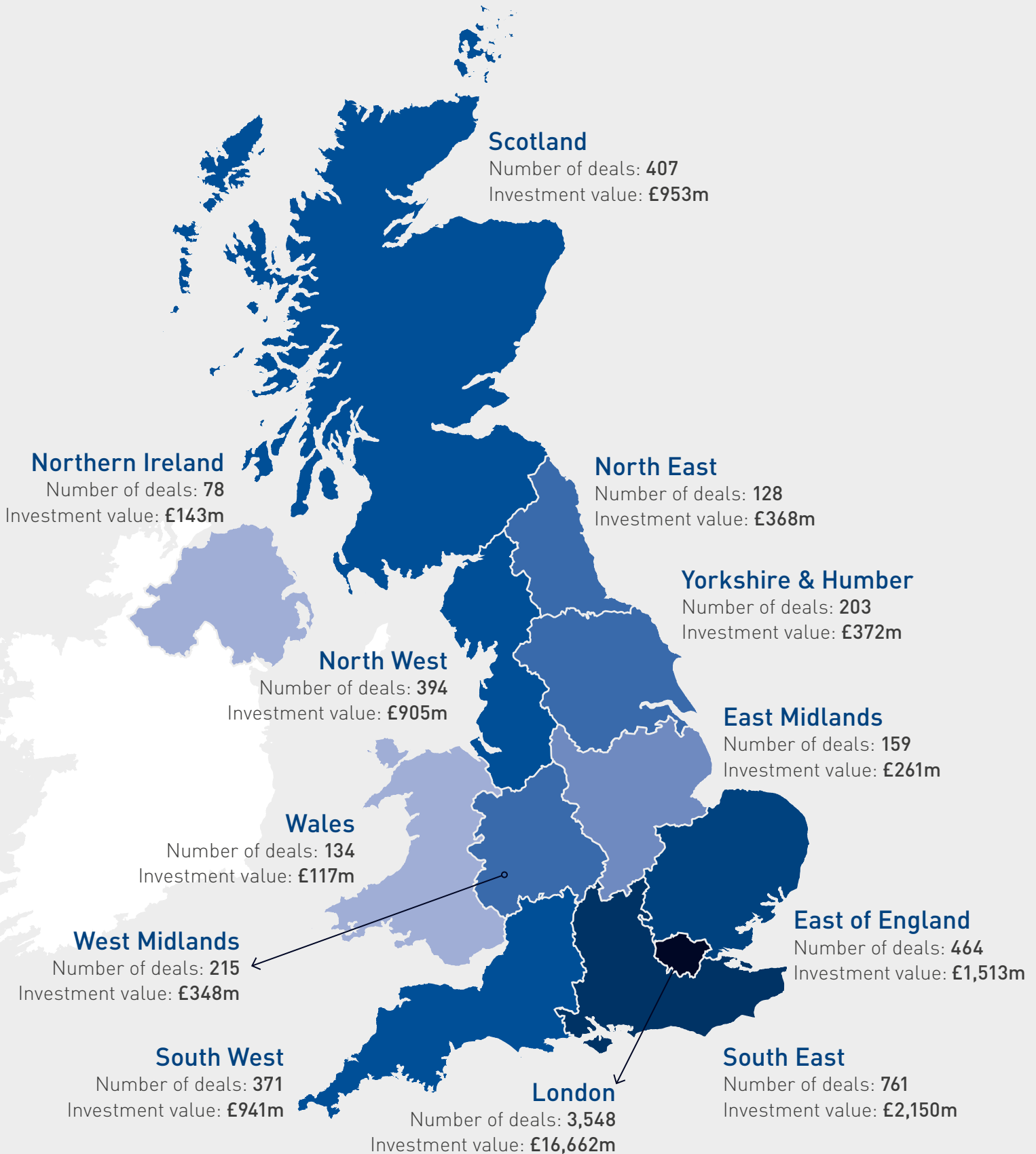
Large deals play a key role in determining the position of the best performing markets outside the Golden Triangle from year to year. Scotland performed well in this space, with investment above £50m increasing by 237%, which influenced Scotland's position as the top performing region outside the Golden Triangle.

Table 2: Total investment value and deals, by nation and region, and % change

Nation and Region	2021		2022		% Change Value	% Change Deals
	Value	Deals	Value	Deals		
London	£18,293m	3,928	£16,662m	3,548	-9%	-10%
South East	£2,731m	953	£2,150m	761	-21%	-20%
East of England	£2,181m	513	£1,513m	464	-31%	-10%
Scotland	£754m	424	£953m	407	26%	-4%
South West	£1,185m	450	£941m	371	-21%	-18%
North West	£1,103m	414	£905m	394	-18%	-5%
Yorkshire and Humber	£235m	215	£372m	203	58%	-6%
North East	£515m	143	£368m	128	-28%	-10%
West Midlands	£430m	234	£348m	215	-19%	-8%
East Midlands	£233m	156	£261m	159	12%	2%
Northern Ireland	£86m	73	£143m	78	66%	7%
Wales	£122m	148	£117m	134	-4%	-9%



Figure 3: Total investment value and deals, by nation and region 2022 (map view)



Spotlight on Scotland

Scotland achieved its highest amount of equity investment on record in 2022, with a total of £953m invested, a 26% increase on the previous year. While this is a record for deal value, deal numbers were the lowest they have been since 2018, and were down by 4% on 2021 results, with 407 deals taking place in 2022 compared with 424 in 2021.

Three deals above £50m took place in 2022, totalling £315.3m, compared with just one deal above £50m in 2021, (£93.6m into Build a Rocket Boy).

Like the UK overall, investment value and deal numbers in Scotland also fell in the second half of 2022. However, with a decrease of 18% for investment value and 12% for deals, the decline was less pronounced, and despite a change in market sentiment, Scotland demonstrated that it is still able to attract very large deals, with investment in TauRx Pharmaceuticals occurring in the second half of the year (Q4).

Scotland investment value above £50m

1 Deal for 2021	Value
Build a Rocket Boy	£93.6m
Total	£93.6m

3 Deals for 2022	Value
GoFibre	£164m
TauRx Pharmaceuticals	£101.3m
Well-Safe Solutions	£50m
Total	£315.3m

Figure 4: Trends 2013-2022 - Scotland deal numbers and investment

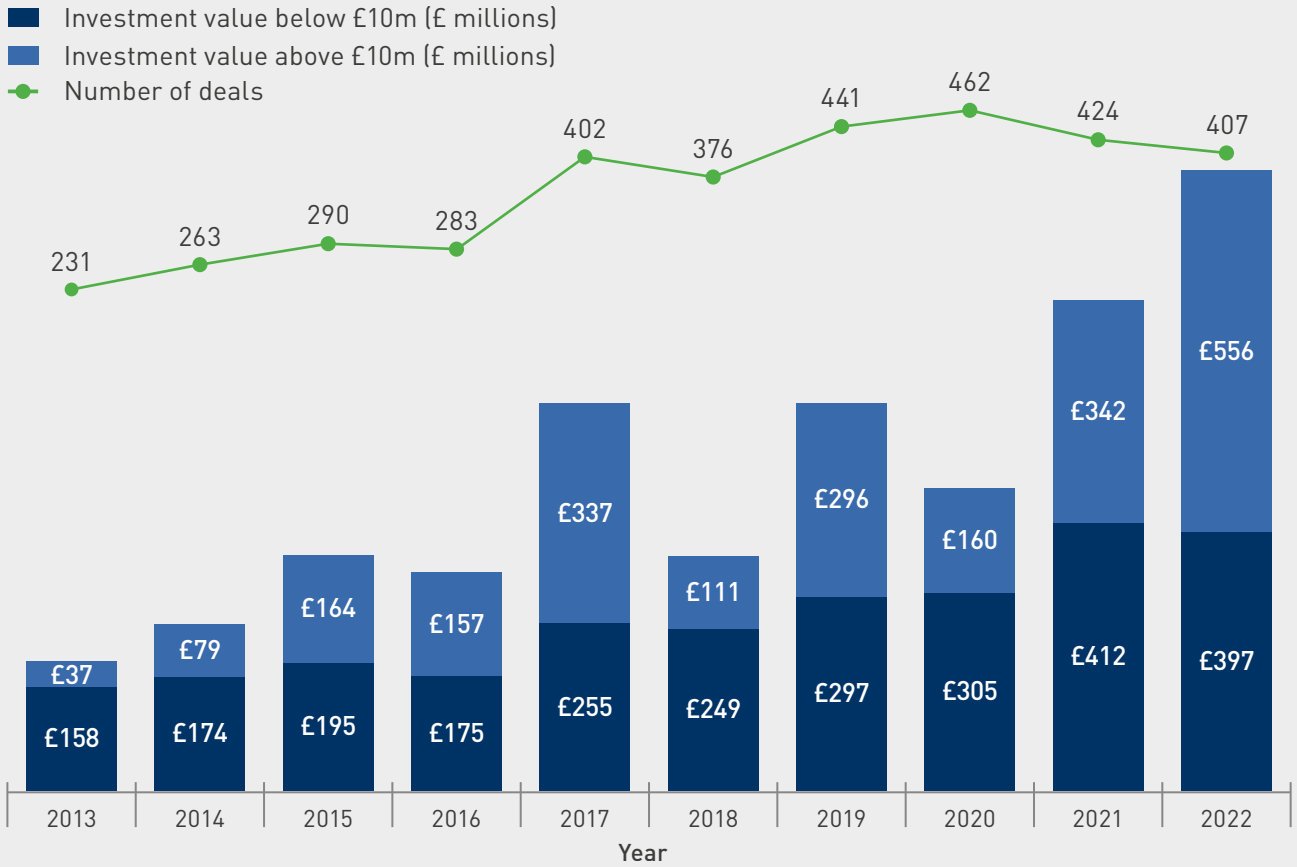


Figure 5: Trends H1 2017 - H2 2022 - Scotland deal numbers and investment

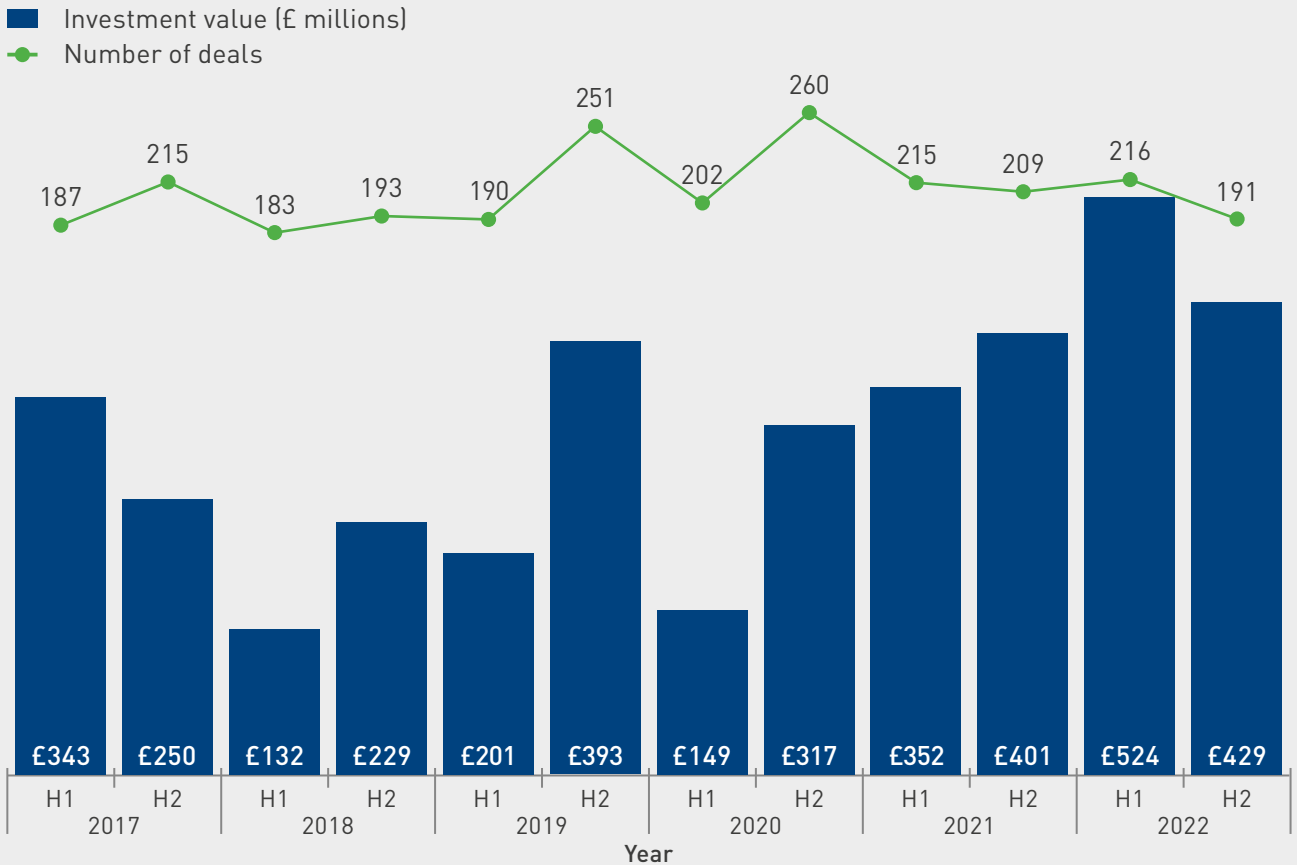
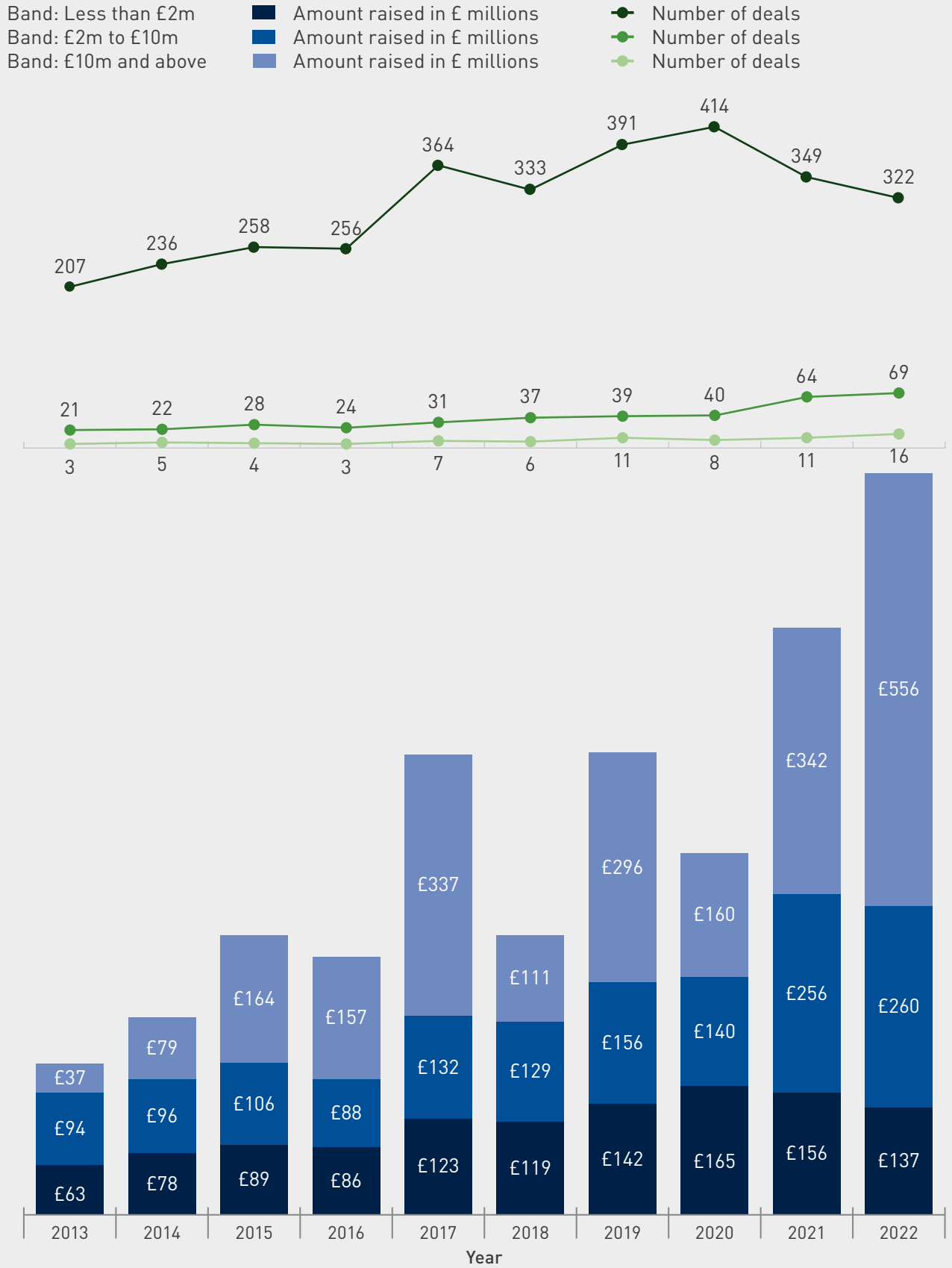


Figure 6: Scotland investment by bands (2013-2022)



Deals above £10m

Scotland performed strongly in the £10m and above size band, with substantial increases of 63% in investment and 45% in deals in 2022. £556m was raised across 16 deals, compared with £342m across 11 deals in 2021. Companies receiving investment above £10m have often already secured multiple smaller funding rounds and are now at a stage where they are able to secure these larger investments.

In addition to the three investments above £50m, significant deals in Scotland included Orbex (£40.5m), Probe Test Solutions (£27.7m), Clas-SiC Wafer Fab (£25.7m) and HV Systems (£25m).

Deals below £10m – The underlying market

The strength of the underlying market, defined as deals under £10m, where earlier stage and higher risk deals are more likely to take place, is an indicator of the overall health of the market. In 2022, underlying market investment in Scotland decreased by 4% to £397m, compared with £412m in 2021. The number of deals declined in the same period by 5% to 377, compared with 399 in 2021. There was, however, a moderate increase (2%) in the average deal size in the underlying market in 2022, to £1.05m compared with £1.03m in 2021. This is just below the UK average of £1.08m. Scotland's underlying market mirrors

a wider UK trend, which also saw underlying investment and deals decline (by 6% and 12% respectively), with a corresponding increase in average deal size.

Within the underlying market, our data is broken down into investments in the £2m to £10m range and those taking place under £2m.

The proportion of investment and deals going into the below £2m market is an ongoing area of concern. Investment in the under £2m market fell from £157m in 2021 to £137m in 2022 (down 13%). Total deals also fell, going from 335 in 2021 to 308 in 2022 (down 8%). The highest end of this market, the £1m to £1.99m range, was worst impacted, with a drop of 23% in investment and 24% in deals, followed by the £500k to £999k band, which saw a decrease of 7% in investment and 3% in deals. While the amount invested remained stable at the lowest bands in this market, with both the £100k to £499k and less than £100k bands raising the same amount of investment as in 2021, there was a 15% decrease in the number of deals in the less than £100k band. Investment in deals between £2m and £10m remained stable in 2022, increasing slightly from £256m in 2021 to £260m in 2022 (up 2%). Total deals also increased from 64 in 2021 to 69 in 2022 (up 8%).

Table 3: UK underlying market (deals below £10m), value by nation and region, and % change

Underlying Market Country and Region	Underlying Market Value 2021	Underlying Market Value 2022	% Change in Underlying Market
London	£4,021m	£3,765m	-6%
South East	£755m	£644m	-15%
East of England	£504m	£445m	-12%
Scotland	£412m	£397m	-4%
South West	£318m	£292m	-8%
North West	£333m	£366m	10%
Yorkshire and Humber	£177m	£181m	2%
North East	£94m	£112m	19%
West Midlands	£178m	£138m	-22%
East Midlands	£110m	£124m	-13%
Northern Ireland	£75m	£86m	15%
Wales	£109m	£116m	6%
UK Total	£7,081m	£6,663m	-6%

The supply of funding and viable demand for smaller levels of investment (below £2m), predominantly for start-ups and early-stage companies, presents the greatest challenge for the growth and health of the overall market. While the decline in this area of the market is a natural consequence of a maturing ecosystem, it could be cause for concern for early-stage businesses, and thus the long-term health of the ecosystem ([Beauhurst, The Deal 2022, February 2023](#)).

A growing pipeline of early-stage companies, able to secure these smaller amounts (for the first time and through subsequent investments as they progress), are the feedstock for future and later stage investment opportunities. If provided with sufficient growth capital at this critical and high-risk stage, many can progress to attract interest from institutional and VC investors who can support them to scale.

As mentioned above, there was a fall in investment and deals in the UK underlying

market in 2022, with value decreasing by 6% to £6,663m compared with £7,081m in 2021, and deals decreasing by 12% to 6,172 compared with 6,989 in 2021.

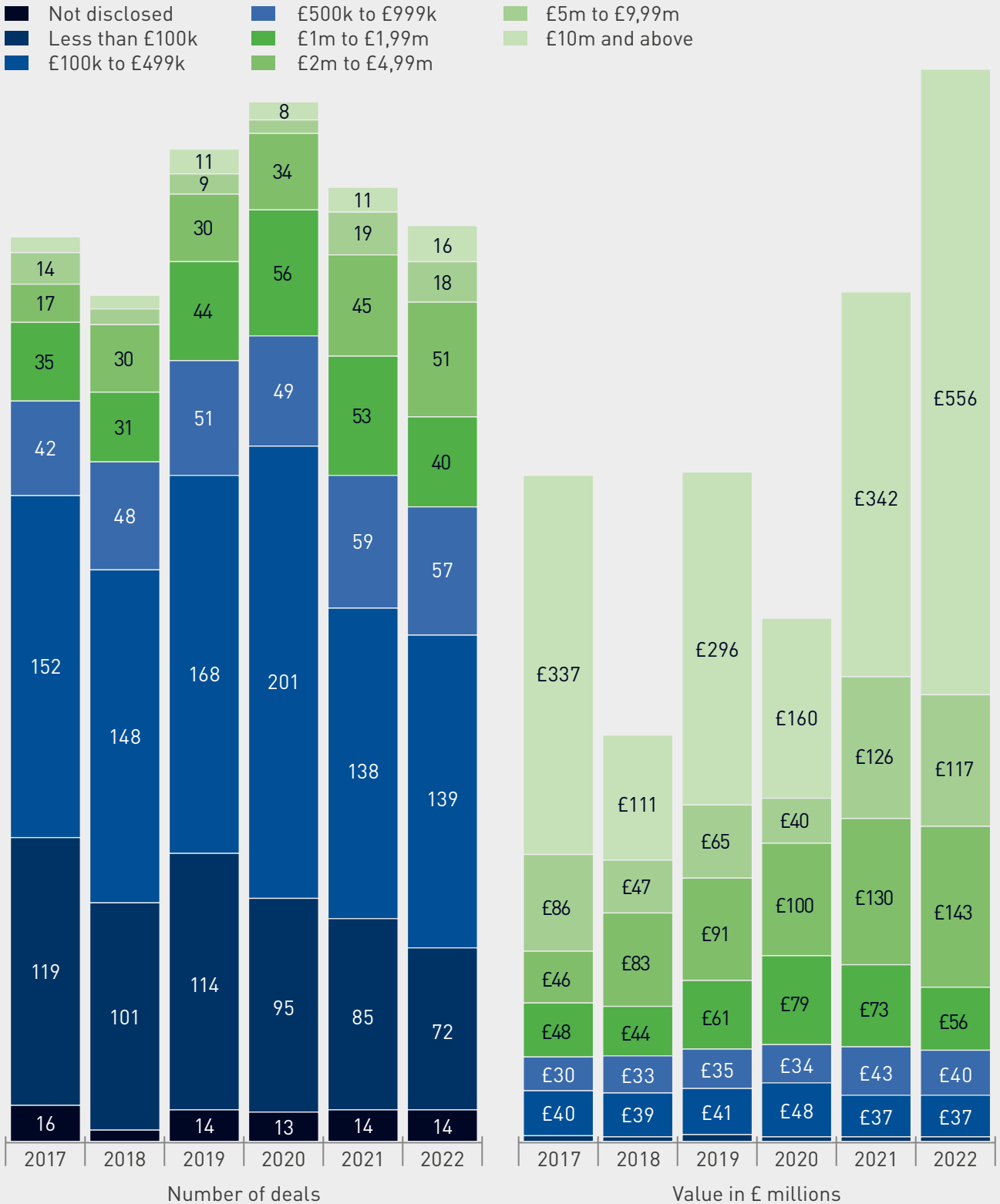
The UK saw a decline in its entire underlying market, both in the £2m to £10m and under £2m ranges. However, the decrease in the £2m to £10m range was marginal enough for the market to be considered stable, with investment falling by 3% to £4,425m compared with £4,563m in 2021, and deals by just 1% to 1,069 compared with 1,084 in 2021.

The North East and Northern Ireland saw the strongest underlying market growth in 2022 (up 19% and 15%, respectively), in contrast with the majority of other regions and nations in the UK, which experienced a decline.

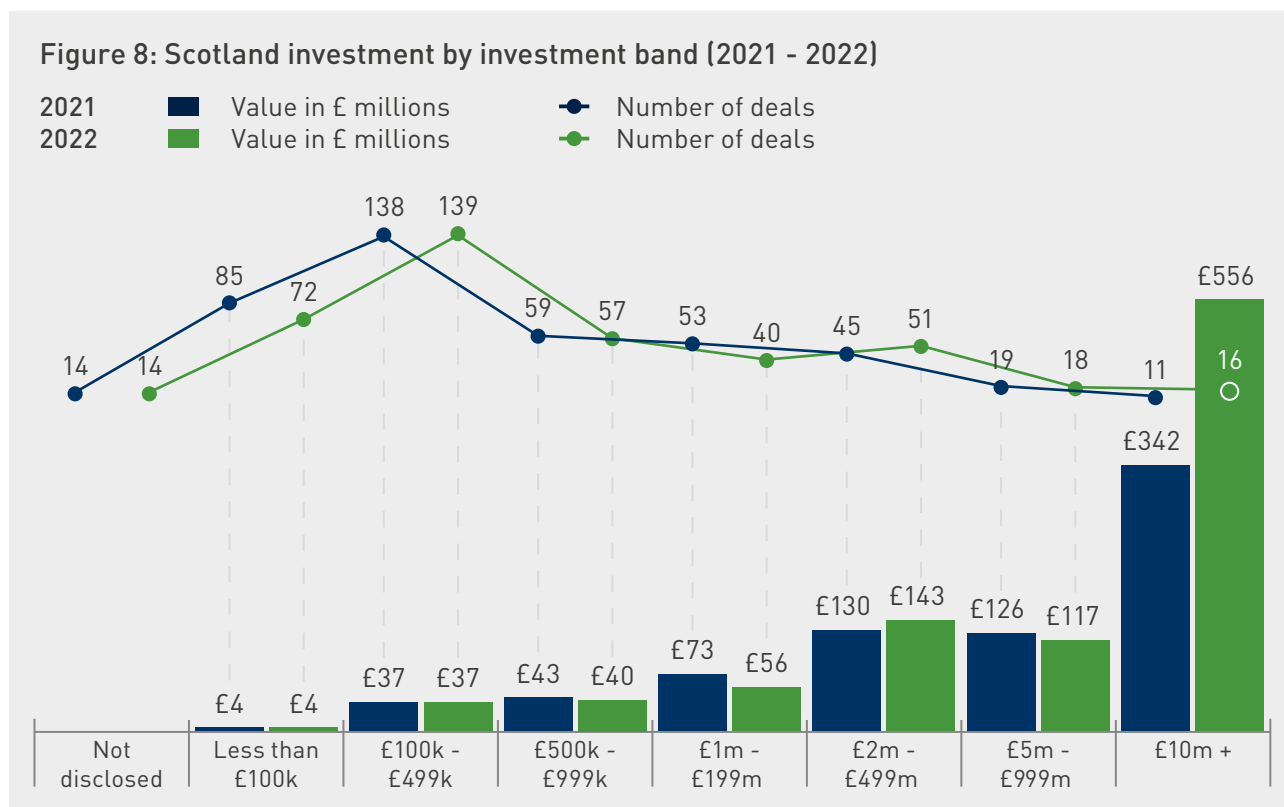
Of the nations and regions seeing a decrease in underlying market investment, Scotland saw the lowest decline, at 4%, which is also below the UK underlying market decline of 6%.

The challenges facing companies seeking smaller funding amounts are mirrored across the UK. This is an ongoing, gradual trend, pre-dating both the pandemic and the current macro-economic climate. UK investment under £2m fell by 11% to £2,238m, compared with £2,518m in 2021, and deals decreased by 14% to 5,103 from 5,905 in 2021.

Figure 7: Scotland investment by investment band (2017 - 2022)*



*Please see Appendix on page 37 for full data.



Scotland is among the top performing nations and regions in the UK for average deal size in the underlying market, behind only London, Northern Ireland, East of England and the North East.

Table 4: UK underlying market (<£10m), average deal size by nation and region

Underlying Market Nation and Region	Average Deal Size (£0-£9.99m) 2021	Average Deal Size (£0-£9.99m) 2022
London	£1.13m	£1.19m
South East	£861,000	£920,000
East of England	£1.09m	£1.08m
Scotland	£1.03m	£1.05m
South West	£766,000	£859,000
North West	£907,000	£1.02m
Yorkshire and Humber	£881,000	£994,000
North East	£712,000	£1.06m
West Midlands	£824,000	£700,000
East Midlands	£769,000	£867,000
Northern Ireland	£1.07m	£1.10m
Wales	£790,000	£935,000
UK Average Deal Size <£9.99m	£1.01m	£1.08m

Growing the early-stage pipeline

A combination of high inflation, rising interest rates, weak economic growth, and renewed geopolitical tension has affected investor sentiment ([Pitchbook, January 2023](#)). While 2022 was a strong year for investment across the UK, the impact of these global trends can be seen more prominently in the data for the second half of 2022. This is apparent from the decline in first time deals taking place in both Scotland and the UK overall. Both market commentary and our data suggests funding is increasingly more difficult to source, especially for new to equity companies, with investors being more selective in the deals they participate in, and often focussing on what they consider to be better and lower risk opportunities in their existing portfolios.

In the UK, the number of first time deals fell by 25% to 1,877, compared with 2,521 in 2021. While the proportion of first time deals experienced in both the UK and Scotland in 2021 was likely an anomaly propelled by extraordinary stimulus measures designed to mitigate the economic repercussions of the pandemic ([Beahurst, Seeding to Succeed: First-time Deals 2022 Trends, April 2023](#)), this remains the lowest first time deals have been over the past five years, and 14% lower than the previous low of 2,183 first time deals in 2020, which, of course, was another period of uncertainty. First time investment value was also down in the UK, falling by 20% to £2,809m, compared with £3,525m in 2021.

Just 27% of UK deals were first time deals in 2022 (33% in 2021). These deals accounted for 11% of total UK investment value, (13% in 2021). This is similar to the Scottish market, where first time deals made up 22% of total deal numbers (30% in 2021) and first time investment value accounted for 10% of total investment value in Scotland (11% in 2021).

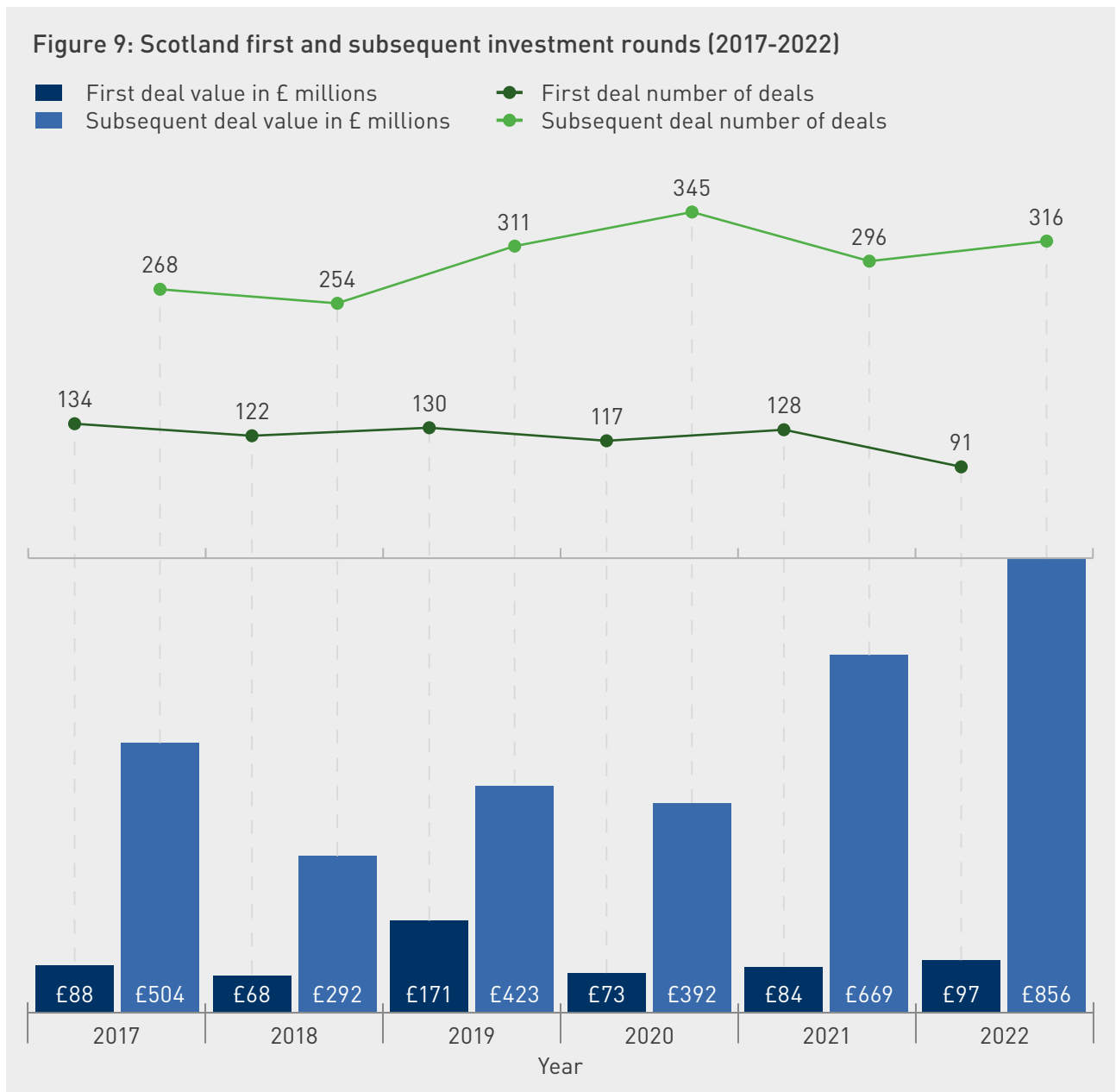
Although the value and number of subsequent deals remained relatively stable in 2022, with subsequent deals falling by 3% and subsequent investment value down by 10%, the decrease in subsequent investment across the UK should continue to be monitored. It has been observed that companies have started to delay fundraising rounds as valuations are squeezed and existing investors apply pressure to identify cost savings to become more efficient in 2023 ([KPMG, Venture Pulse Q4 2022, January 2023](#)). Any such delay is likely to stifle growth.

Scotland first and subsequent

Scotland's first and subsequent investment market tells a slightly different story than the UK market, with the value of both first and subsequent investment increasing in 2022. First time investment deal value grew by 15%. A significant contributor to this increase was first time investment of £27.7m into Probe Test Solutions (top first time investment in 2021 was

£15.6m into BetDEX Labs). Further, subsequent investment value grew by 28%, from £669m in 2021 to £856m in 2022. The number of subsequent deals also increased (up 7%), from 296 in 2021 to 316 in 2022.

However, the number of first time deals in Scotland fell from 128 in 2021 to 91 in 2022, (down 29%). In common with the rest of the UK, the number of first time deals in Scotland were significantly lower than they have been over the past five years. The previous low for first time deals over this period was 117 in 2020. However, first time deals in 2022 were 22% lower than this.



University spinout companies

For the purposes of this report, **Beauhurst's definition of an academic spinout** has been applied, which is a company that meets condition 1 and at least one condition out of 2-4 of the following criteria:

1

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



2

The university owns IP that it has licensed to the company.

3

The university owns shares in the company.

4

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

£235m was invested in Scottish spinouts in 2022, making it another record year for the amount invested in these companies. **15% of deals** and **10% of investment** into UK spinouts went to companies headquartered in Scotland.

UK spinouts

Both the value and number of deals going into UK spinouts fell in 2022, compared with the previous year. Total investment into UK spinouts reached £2,389m across 398 deals in 2022, compared with £2,610m across 400 deals in 2021. Total investment value saw the greatest reduction, with an 8% decrease, compared with a 0.5% decrease in number of deals. Overall, spinout deals represented 10% of total UK investment value and 6% of deals, which remains the same as 2021.

As with the wider investment landscape, the Golden Triangle dominated the rest of the UK in terms of both deal count and value. The Golden Triangle accounted for around 75% of the total spinout investment value and half of all spinout deals closed in 2022. This is unsurprising given

the presence of the University of Oxford and the University of Cambridge, institutions known for their high spinout population ([Beauhurst, Equity investment into UK Spinouts, 2022](#)). The South East made the most significant contribution to this result, far outperforming the East of England and London, and indeed the rest of the UK.

The South East remains the best performing region in the UK for spinout value and deals, accounting for £996m from 75 deals, despite seeing just one deal above £100m close in 2022 (£113.9m into Oxbotica), compared with three deals above £100m in 2021 (£195m into Oxford Nanopore, £162m into Exscientia and £121m into Vaccitech). The South East did see, however, a number of deals over £50m in 2022, including £80.2m into OMass, £80m into MiroBio, and two separate investments of £59.4m and £74.1m into Nexeon.

Table 5a: UK spinout investment value, deals and average deal size by nation and region 2021

Nation and Region	Spinout Investment Value	% of Total Regional Investment Value	Number of Spinout Deals	Average Deal Size	% of Total Regional Deal Numbers
London	£530m	3%	65	£8.1m	2%
South East	£1,001m	37%	78	£12.8m	8%
East of England	£479m	22%	64	£7.5m	12%
Scotland	£154m	20%	60	£2.6m	14%
South West	£262m	22%	29	£9m	6%
North West	£43m	4%	14	£3.1m	3%
Yorkshire and Humber	£33m	14%	19	£1.7m	9%
North East	£43m	8%	15	£2.9m	10%
West Midlands	£23m	5%	23	£1m	10%
East Midlands	£17m	7%	15	£1.1m	11%
Northern Ireland	£14m	16%	11	£1.3m	15%
Wales	£11m	9%	7	£1.6m	5%
UK Total	£2,610m	9%	400	£6.5m	5%

Table 5b: UK spinout investment value, deals and average deal size by nation and region 2022

Nation and Region	Spinout Investment Value	% of Total Regional Investment Value	Number of Spinout Deals	Average Deal Size	% of Total Regional Deal Numbers
London	£346m	2%	67	£5.2m	2%
South East	£996m	46%	75	£13.3m	10%
East of England	£435m	29%	54	£8.1m	12%
Scotland	£235m	25%	58	£4m	14%
South West	£59m	6%	26	£2.3m	7%
North West	£149m	16%	28	£5.3m	7%
Yorkshire and Humber	£36m	10%	16	£2.2m	8%
North East	£39m	11%	11	£3.5m	9%
West Midlands	£20m	6%	18	£1.1m	8%
East Midlands	£28m	11%	17	£1.6m	11%
Northern Ireland	£30m	21%	16	£1.9m	20%
Wales	£16m	14%	12	£1.3m	9%
UK Total	£2,389m	10%	398	£6m	6%

Relative to overall market size, Scotland performs well in terms of number of spinout deals, outperforming the East of England to place third top for deal count in 2022 (58 deals compared with 54). Scotland was also the next best performing region after the Golden Triangle for value at fourth place.

The impressive £101.3m invested into TauRx Pharmaceuticals, Scotland's second largest deal of 2022, has greatly improved Scotland's spinout position. Similarly, spinout investment in the North West grew by 246% in 2022, due to a single investment of £58m into F2G, overtaking the South West as the fifth top performing region for value. The South West experienced a 77% drop in spinout deal value as a result of having no deals above £50m in 2020, compared with a single investment of £60m into Ultraleap in 2021.

Scottish spinouts

£235m was invested in Scottish spinouts in 2022, making it another record year for spinout value, surpassing the previous record of £154m in 2021 (up 53%). However, the number of spinout deals fell slightly from 60 to 58 (down 3%), the lowest since 2018.

Spinout deals represented 25% of investment value and 14% of total deals in Scotland in 2022. Over the last three years, there has been a noticeable increase in the amount of funding sourced by university spinouts, as detailed below. While the value that spinouts source has increased between 2020-2022, their deal share has decreased, indicating that spinouts are sourcing, on average, larger amounts year on year.

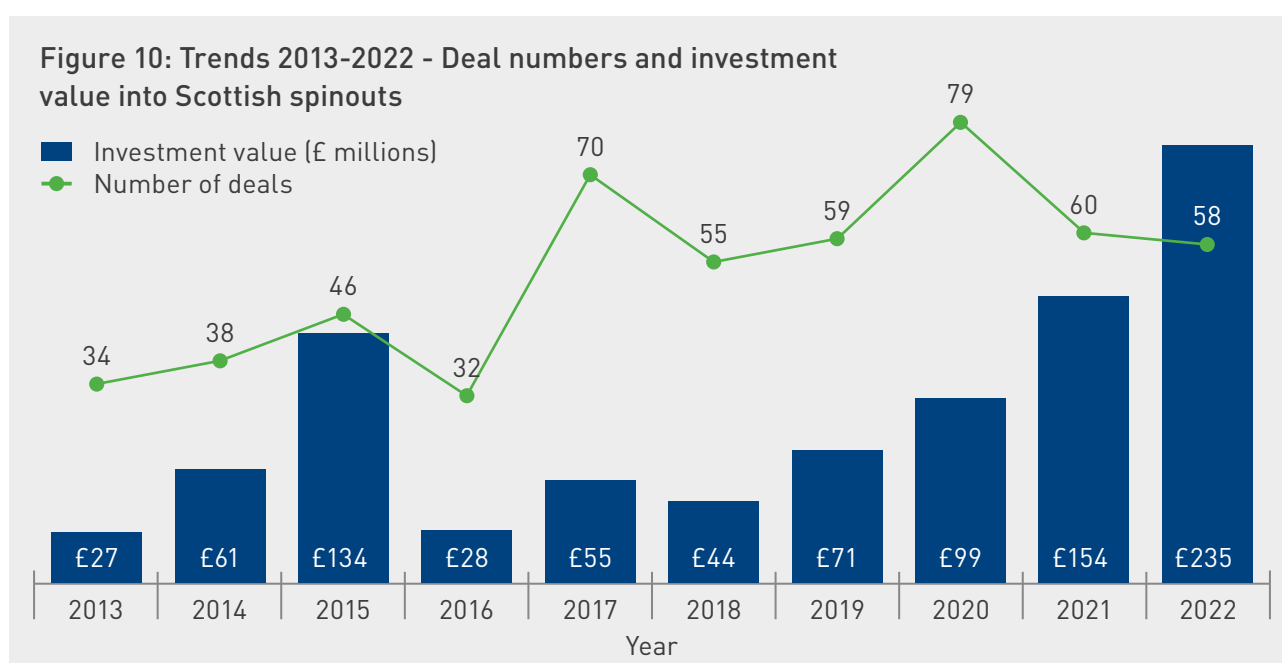


Table 6: Scottish Spinouts by Investment Value and Deals, and % of total Scottish Market

Year	Total Spinout Investment	% of Total Investment Value	% of Total Deals
2020	£99m	19%	17%
2021	£154m	22%	15%
2022	£235m	25%	14%

As noted previously, Scotland was the best performing UK region for spinout investment after the Golden Triangle in 2022. However, at £4m, the average size of deals going into spinouts in Scotland was below the UK average of £6m. In addition to being lower than the UK average, the average deal size into Scottish spinouts was lower than the South East (£13.3m), East of England (£8.1m) and London (£5.2m), as well as the Golden Triangle collectively (£8.8m) and the North West (£5.3m). Despite this, the average Scottish spinout deal size has increased since 2021, when it stood at £2.6m (up 54%).

Deals over £10m

Five Scottish spinouts secured deals valued above £10m, compared with two deals in 2021.

The total value of spinout deals above £10m was £148.7m, 63% of the total raised by all Scottish spinouts in 2022. The deal into TauRx Pharmaceuticals accounted for 43% of investment value into Scottish spinouts in 2022 as well as 11% of the total Scottish investment value.

The remaining four deals all sat in the £10m to £20m range, and three of these companies were spun-out from the University of Edinburgh. The highest value deal went into Resolution Therapeutics, who raised £15.6m. The other deals closed were Roslin Technologies (£10.1m) and pureLiFi (£10m). ENOUGH, a spinout from the University of Strathclyde, raised £10m for the second year in a row, having also done so in 2021.



Aerial view of Glasgow University

Sectors

There is no single way of allocating companies to market sectors which paints the whole picture because companies can have multiple activities and target markets. The Beauhurst database can allocate companies to more than one sector where information is available. The sectors chosen for analysis are a combination of those representing a core activity (Digital & IT, Business Services) and/or a target market (FinTech, Food & Drink, Oil & Gas).

As in 2021, the top three performing sectors in Scotland in 2022 consisted of Digital & IT, Technology & Engineering and Business Services. However, Technology and Engineering was the only sector among the top three to see increased participation in deals, replacing Business Services as the second top performing sector by deal participation. Despite an 8% decrease, Digital & IT remained the top performing sector in Scotland in 2022.

The remaining deals were spread across a range of sectors, with Food and Drink and Life Sciences, once again, well represented. Despite a 70% increase in deal participation, Oil and Gas remained one of the bottom performing sectors. Other significant increases were seen

in Energy - Other (up 33%), and Life Sciences (up 31%), the latter moving up to the fourth top performing sector. The increase in deal participation in the Energy - Other sector is likely due to increased investor interest in energy, driven by the current crisis in Europe and the global transition to cleaner energy sources ([Beauhurst, February 2023](#)). Scotland, along with the South East of England, is one of the areas in the UK seeing a greater share of net zero related deals and investment, based on Beauhurst data on deals and investment from 2018 to third quarter 2022 ([British Business Bank, Small Business Finance Markets 2022/23, March 2023](#)).

In line with deal numbers falling generally, most sectors have seen a drop in deal participations. The hardest hit were FinTech (down 68%) and Aerospace & Satellites (down 50%). Despite proving resilient in the face of Brexit and COVID-19, investors appear to have visibly pulled back from the FinTech sector in the face of more challenging conditions, slowing their capital deployment ([Beauhurst and Deloitte, FinTech Sector Analysis 2022 in Review, February 2023](#)).

Table 7: Scotland's sectors by participation in deals and % change

Sector	Participation in Deals 2021	Participation in Deals 2022	% Change
Digital & IT	206	189	-8%
Technology & Engineering	160	163	2%
Business Services	166	144	-13%
Life Sciences	55	72	31%
Food & Drink	68	61	-10%
Other	40	36	-10%
Energy - Other	18	24	33%
Renewable Energy	25	23	-8%
Oil & Gas	10	17	70%
FinTech	25	8	-68%
Aerospace & Satellites	12	6	-50%

Table 8: Deal participation in Scotland's sectors (yearly)

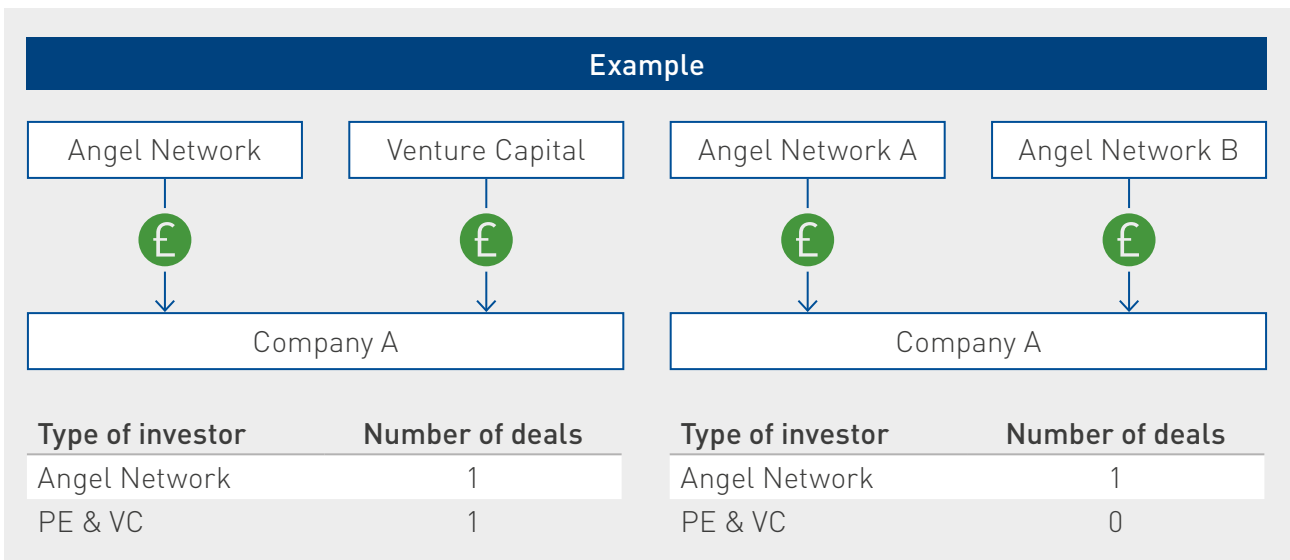
	2017	2018	2019	2020	2021	2022
Aerospace & Satellites	7	1	2	7	12	6
Business Services	165	139	192	167	166	144
Digital & IT	199	204	230	244	206	189
Energy - Other	21	23	21	27	18	24
FinTech	16	13	20	23	25	8
Food & Drink	57	66	60	62	68	61
Life Sciences	59	49	62	62	55	72
Oil & Gas	18	15	23	21	10	17
Other	33	25	26	39	40	36
Renewable Energy	21	16	23	20	25	23
Technology & Engineering	142	115	166	162	160	163

A deal can be counted in as many sectors as are relevant. For example, a company can be operating in 'Digital & IT' and 'Business Services'; an investment into such a company would be counted as a deal in each sector.

Investor participation



Investor types are counted in as many deals as they participated in, but each investor type is only counted once per deal.



The category 'Business Angel(s)' only counts deals that involved a disclosed individual, typically famous or prominent investors.

The category 'Other Private Investors' comprises any investor that Beauhurst has classified as any of the following: Family Office, Private Investment Vehicle, Asset Management, Accelerator, Bank, Commercialisation Company, Merchant Bank, Sovereign Wealth Fund.

UK investor participation

Table 9: UK investor type by number and value of participations, and % change

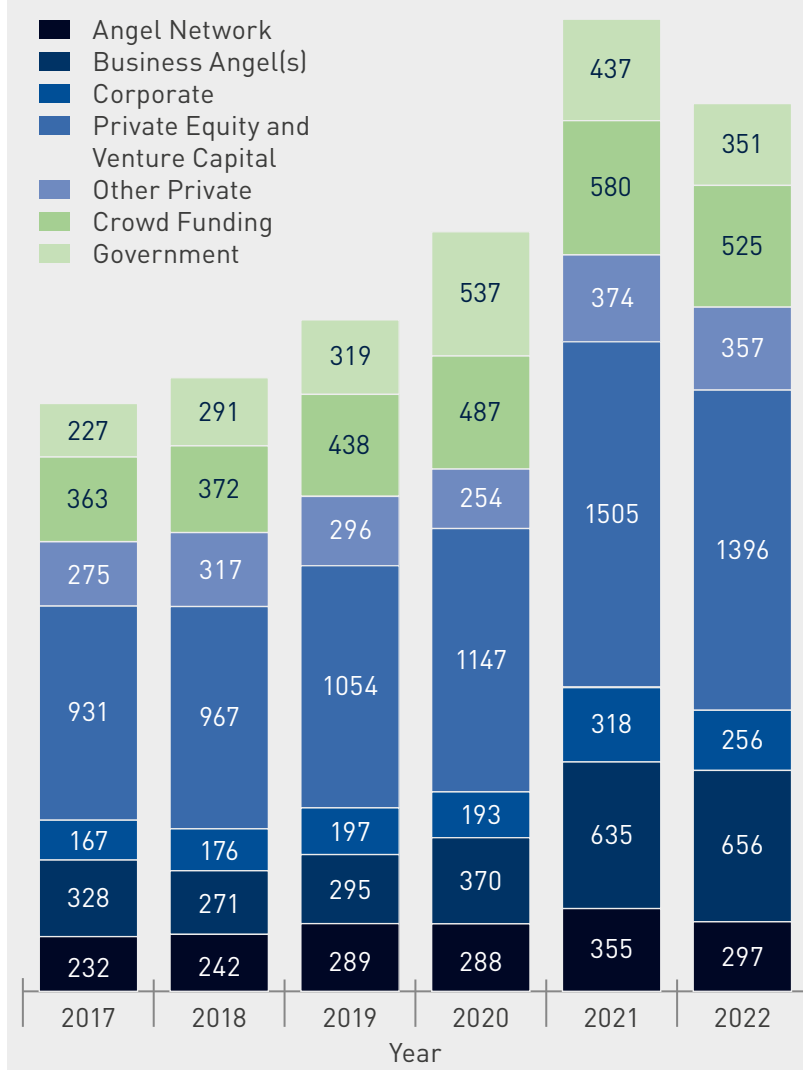
Investor Type	2021		2022		% Change Deals	% Change Value
	Deals	Value	Deals	Value		
Angel Network	355	£777m	297	£603m	-16%	-22%
Business Angel(s)	635	£2,937m	656	£3,764m	3%	28%
Corporate	318	£6,845m	256	£5,276m	-19%	-23%
Crowd Funding	580	£867m	525	£784m	-9%	-10%
Government	437	£2,152m	351	£1,189m	-20%	-45%
Other Private	374	£9,855m	357	£6,740m	-4%	-32%
PE & VC	1,505	£18,034m	1,396	£14,067m	-7%	-22%

For most UK investor types, 2022 saw a marked dip in both deal participations and value. Investors saw a decrease in the numbers of deals that they were participating in, the only exception being Business Angel(s), who saw a 3% increase in deal participation and a 28% increase in value of participations.

Government and Corporate Investors saw the largest drops in deal participation, down 20% and 19% respectively.

However, rankings of investor types by number of deals participated in was largely the same in the UK in 2022 as in 2021. The only change being Other Private Investment, which overtook Government to claim fourth spot, with Government Investment dropping down to fifth place.

Figure 11: UK types of investor, by number of separate investments (participations), 2017 - 2022



Scotland investor participation

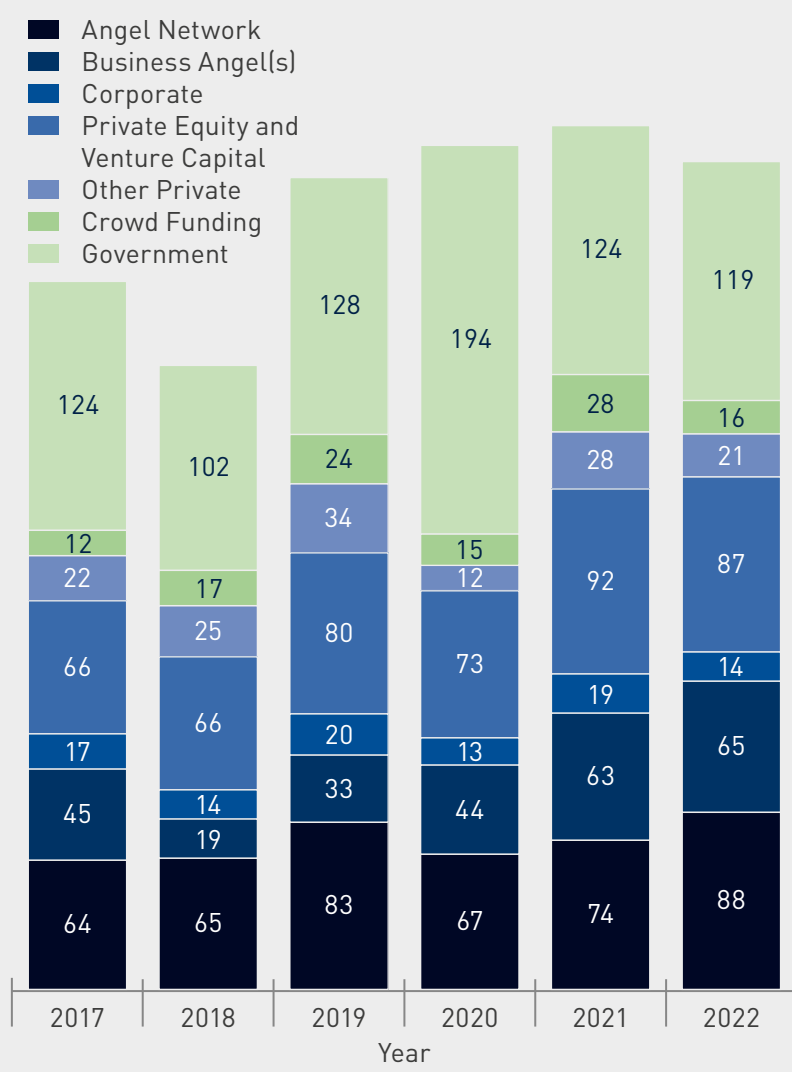
Table 10: Scotland investor type by number and value of participations, and % change

Investor Type	2021		2022		% Change Deals	% Change Value
	Deals	Value	Deals	Value		
Angel Network	74	£112m	88	£122m	19%	9%
Business Angel(s)	63	£217m	65	£181m	3%	-17%
Corporate	19	£190m	14	£82m	-26%	-57%
Crowd Funding	28	£43m	16	£14m	-43%	-67%
Government	124	£306m	119	£275m	-4%	-10%
Other Private	28	£99m	21	£131m	-25%	32%
PE & VC	92	£366m	87	£428m	-5%	17%

The pattern of investment by number of participations in Scotland was largely the same in 2022 as in 2021, with Government remaining the most active investor type. Scotland benefits from strong public sector participation through Scottish Enterprise and Scottish Government investment activities (including the Scottish National Investment Bank), evidenced by the fact that Scottish Enterprise was the third most active investor in the UK in 2022 ([Beauhurst, February 2023](#)).

The only change in order of investor activity came from Angel Network(s), which saw participation in deals grow by 19%, with PE & VC participation in deals falling by 5% and moving to third place. Despite this drop in position, Scotland has the highest PE & VC participations, outside of the Golden Triangle. The difference

Figure 12: Scotland types of investor, by number of separate investments (participations), 2017 - 2022



in PE & VC participation between London and Scotland is considerable, with London seeing PE & VC participation in 769 deals, compared with 87 in Scotland. Scotland does, however, compare more closely to the other areas of the Golden Triangle, with the South East seeing PE & VC participation in 112 deals, and the East of England in 106 deals.

Along with Business Angels, Angel Network(s) were the only investor type to see an increase in deal participation (up 3% and 19%, respectively). This shows the continued strength of angel investment in Scotland. As in 2021, Scotland was second only to London for Angel Network participations (97 in London compared to 88 in Scotland), and Business Angel(s) participations (376 in London compared to 65 in Scotland).

Angel Networks (also described as Angel Groups) based in London and Edinburgh dominate Beauhurst's ranking of Angel Networks by participations in equity deals into scaleups between 2012-2021, with Edinburgh based Archangels placing second on this list (participation in 40 deals). Other Edinburgh based syndicates included on this list are Investing Women and Equity Gap, both having participated in six deals each ([Beauhurst, Scaleup Index 2022, April 2023](#)).

Whilst many of these groups consider opportunities from all over the country, research consistently points to the preference of investors to invest in their own home region, which may help explain why Scotland and London continue to be the top two UK regions for attracting investment from Angel Networks ([UKBAA, The Climate for Angel Investing, 2022](#); [Beauhurst, Most Active Angel Networks in the UK, March 2022](#)).

Scotland continues to benefit from established Business Angel Groups – the **next most active market** in terms of deal participation after London.

Scottish regions

Table 11: Scottish Regions by investment value and number of deals, and % change

Scottish Region	2021		2022		% Change Value	% Change Deals
	Value	Deals	Value	Deals		
Aberdeen	£35m	35	£177m	41	406%	17%
East of Scotland	£380m	197	£284m	196	-25%	-0.5%
Highlands and Islands	£22m	17	£72m	21	227%	23%
South of Scotland	£21m	7	£165m	6	686%	-14%
Tayside	£108m	58	£70m	44	-35%	-24%
West of Scotland	£188m	110	£184m	99	-2%	-10%

Scotland's regions revealed a mixed picture in 2022, with some seeing significant growth and others experiencing a decline in investment value and deals. Although the East of Scotland and West of Scotland were among the regions to see total investment and deals fall, they remained the top two best performing regions in Scotland, with investment in the East of Scotland making up 30% of Scotland's total investment value and 48% of deals, and investment in the West of Scotland responsible for 19% of Scotland's total investment value and 24% of deals.

The decline in value in East of Scotland was due to a decrease in the value of deals above £10m. In 2021, £193.9m was raised across five deals (£93.6m into Build a Rocket Boy, £42.2m into Intelligent Growth Solutions, £31.4m into Current Health, £15.6m into BetDex Labs and £11.1m into Dysis Medical), compared with £88.9m raised across six deals in 2022 (£25m

into Lothian Broadband, £18.1m into Rooser, £15.6m into Resolution Therapeutics, £10.1m into Holibob, £10.1m into Roslin Technologies and £10m into pureLiFi), a decrease of 54%. The two largest deals, and three out of the six deals over £10m that took place in Edinburgh in 2022 were spinouts.

Despite a 10% drop in the number of deals closed in the West of Scotland, the value of investment only dropped by 2%. This is due to a similar level of investment going into large deals in both 2022 and 2021. In 2022, five deals above £10m, worth a total of £85.5m, took place in West of Scotland (£27.7m into Probe Test Solutions, £25m into HV Systems, £11.7m into ENOUGH, £11.1m into EnteroBiotix and £10m into ACS Clothing), compared with three deals above £10m, totalling £89.5m, taking place in 2021 (£38.1m into Amphista Therapeutics, £35.9m into ENOUGH and £15.5m into EnteroBiotix), a decrease of 5%.

The number of deals in Aberdeen increased by 17% in 2022, but most notable was the region's 406% increase in investment value, due to investment of £101.3m into TauRx Pharmaceuticals and £50m in Well-Safe Solutions. These deals helped Aberdeen overtake Tayside as the third top performing region for value, with Aberdeen accounting for 18.6% of investment value in Scotland. Investment in Aberdeen stands in contrast with the 54% fall in deal value and 19% drop in deal numbers experienced in the region in 2021, due to a decline in deals above £10m compared with 2020.

While Tayside experienced the largest percentage decrease in deal numbers and value in 2022, (down 24% and 35%, respectively), it remained the third top region in terms of deals, accounting for 11% of Scotland's total. However, a decrease in deals above £10m, coupled with increases in such deals in areas the region previously outperformed (Highlands and Islands and South of Scotland), has seen Tayside fall to sixth place for investment value. Although a significant deal took place in Tayside in 2022 (£25.7m in Clas-SiC Wafer Fab), this is a 46% drop in large deals compared with 2021, where £28.3m was invested in daring and £19.5m was invested in Snappy Shopper, totalling £47.8m.

The large increase in deal value seen in Highlands and Islands and South of Scotland in 2022, up 227% and 686% respectively, was due to single large deals, with investment of £164m going into GoFibre in the South of Scotland, and £40.5m invested in Highland and Islands based, Orbex. In addition to this investment, Highlands and Islands saw the greatest percentage increase in deals in 2022 (up 23%), giving it a higher percentage increase in deal numbers than any other region. Despite this increase, Highlands and Islands remained the second last (fifth) region for attracting deals, accounting for just 5% of total deals in Scotland. The South of Scotland attracted by far the least deals in Scotland in 2022, accounting for just 1% of all deals.

Summary

The Scottish market continued to grow in 2022, setting a new record year for investment. Our benchmark data positions Scotland as the next most active investment market outside London and the surrounding two regions (collectively described as the Golden Triangle). Scotland's strengths include a growing number of companies attracting later stage and international investment and established and very active Business Angel Groups. VC deal participation is particularly encouraging, again placing Scotland after the Golden Triangle, and testament to the quality of Scottish companies able to attract this mobile international investment. The value of investment secured by Scotland's market was further bolstered by two very large deals above £100m.

Another area of strength is the number of university spinout companies headquartered in Scotland who are raising equity finance. These companies accounted for 25% of investment value in Scotland in 2022 and made up 14% of all deals. It is also encouraging to see spinout companies raising significant and higher investment amounts.

Challenges remain, not least the continued need to increase the investment that is going into new to equity, start-up and early-stage companies to help grow the pipeline. This requires ambitious entrepreneurs, more high growth start-ups, a growing supply of capital and experienced investors that are willing and

able to fund companies who are earlier stage, higher risk and yet to deliver on their promise. To grow our market and safeguard progress over the long term we need more seed and early-stage companies able to access equity funding. Our ecosystem works best when the seed and early-stage of the funnel is robust.

The second half of 2022 took us into a very different direction with respect to investor behaviour and the increased effort required by our innovative and technology focused companies to raise funding. Common themes are consistently reported by sources such as Beauhurst, Pitchbook and CB Insights, and point to lower valuations, fewer exits, harsher deal terms, and funding rounds taking longer to secure. Combined with investors focusing on the very best prospects in their existing portfolios, this is inevitably contributing to reduced appetite for new investment opportunities.

While the market data points to the fundraising challenges being most pronounced for higher risk opportunities at the very early stages in the company lifecycle, it is also the case that very large investments above £50m and £100m are no longer being funded to the same extent as they were in 2021. The fall away in the number and amounts into very large investments is the main contributory factor influencing the decline in UK investment totals.

Although a move in investor appetite from the early stage is less impactful on overall totals, it is arguably more significant in the long term as it has the potential to curtail and limit the number of opportunities that have the potential in future years to go onto scale and secure later stage VC funding. Fuelling a growing pipeline with ambitious start-ups and early-stage companies able to raise sufficient capital to achieve key milestones and execute their growth plans at speed is critical to the health of our investment ecosystem.

These are the times where we look to build on our market strengths, working with our ecosystem partners to nurture and grow the many talented companies we have in Scotland. Where risks are perceived by investors to be greater and the market is increasingly cautious, there is even more reliance and demand placed on the public sector to share risk and reward with the private sector.

Taking action earlier to prepare to raise finance and seeking advice is even more of a priority when there is less funding available and greater competition. The evidence is compelling; companies who seek advice are more successful at raising finance and the full amounts sought. Scottish Enterprise's team of Financial Readiness specialists are able to support high growth companies on this [fundraising journey](#), and additional support is available to [scale your business](#).

Appendix

Figure 1: Trends 2013-2022 - UK deal numbers and investment

Year	Investment value	Deal numbers
2013	£3.49b	3112
2014	£5.21b	4192
2015	£6.33b	5091
2016	£7.45b	5507
2017	£12.71b	6510
2018	£13.10b	6741
2019	£16.93b	7019
2020	£15.32b	6782
2021	£27.87b	7653
2022	£24.80b	6873

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Figure 2: Trends H1 2017 - H2 2022 - UK deal numbers and investment

Year	Investment value	Deal numbers
H1 2017	£5.5b	3237
H2 2017	£7.2b	3273
H1 2018	£6.7b	3384
H2 2018	£6.4b	3357
H1 2019	£8.9b	3565
H2 2019	£8b	3454
H1 2020	£6.7b	3487
H2 2020	£8.6b	3295
H1 2021	£13.1b	3979
H2 2021	£14.7b	3674
H1 2022	£15.5b	3794
H2 2022	£9.3b	3079

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Figure 4: Trends 2013-2022 - Scotland deal numbers and investment

Year	Investment value below £10m	Investment value above £10m	Deal numbers
2013	£158m	£37m	231
2014	£174m	£79m	263
2015	£195m	£164m	290
2016	£175m	£157m	283
2017	£255m	£337m	402
2018	£249m	£111m	376
2019	£297m	£296m	441
2020	£305m	£160m	462
2021	£412m	£342m	424
2022	£397m	£556m	407

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Figure 5: Trends H1 2017 - H2 2022 - Scotland deal numbers and investment

Year	Investment value	Deal numbers
H1 2017	£343m	187
H2 2017	£250m	215
H1 2018	£132m	183
H2 2018	£229m	193
H1 2019	£201m	190
H2 2019	£393m	251
H1 2020	£149m	202
H2 2020	£317m	260
H1 2021	£352m	215
H2 2021	£401m	209
H1 2022	£524m	216
H2 2022	£429m	191

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Figure 6: Scotland investment by bands (investment value)

Year	Less than £2m	£2m to £10m	£10m and above
2013	£63m	£94m	£37m
2014	£78m	£96m	£79m
2015	£89m	£106m	£164m
2016	£86m	£88m	£157m
2017	£123m	£132m	£337m
2018	£119m	£129m	£111m
2019	£142m	£156m	£296m
2020	£165m	£140m	£160m
2021	£156m	£256m	£342m
2022	£137m	£260m	£556m

Figure 6: Scotland investment by bands (number of deals made)

Year	Less than £2m	£2m to £10m	£10m and above
2013	207	21	3
2014	236	22	5
2015	258	28	4
2016	256	24	3
2017	364	31	7
2018	333	37	6
2019	391	39	11
2020	414	40	8
2021	349	64	11
2022	322	69	16

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Figure 7: Scotland investment deal numbers by investment band (2017 - 2022)

Investment band	2017	2018	2019	2020	2021	2022
Not disclosed	16	5	14	13	14	14
Less than £100k	119	101	114	95	85	72
£100k to £499k	152	148	168	201	138	139
£500k to £999k	42	48	51	49	59	57
£1m to £199m	35	31	44	56	53	40
£2m to £499m	17	30	30	34	45	51
£5m to £999m	14	7	9	6	19	18
£10m and above	7	6	11	8	11	16

Figure 7: Scotland investment value by investment band (2017 - 2022)

Investment band	2017	2018	2019	2020	2021	2022
Less than £100k	£5m	£4m	£6m	£4m	£4m	£4m
£100k to £499k	£40m	£39m	£41m	£48m	£37m	£37m
£500k to £999k	£30m	£33m	£35m	£34m	£43m	£40m
£1m to £199m	£48m	£44m	£61m	£79m	£73m	£56m
£2m to £499m	£46m	£83m	£91m	£100m	£130m	£143m
£5m to £999m	£86m	£47m	£65m	£40m	£126m	£117m
£10m and above	£337m	£111m	£296m	£160m	£342m	£556m

Note: the investment bands total £754m in 2021 as per the other charts and tables in this report. The 2021 individual investment band figures appear to total £755m but this is due to rounding.

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Figure 8: Scotland investment deal numbers by investment band (2021 - 2022)

Investment band	2021	2022
Not disclosed	14	14
Less than £100k	85	72
£100k to £499k	138	139
£500k to £999k	59	57
£1m to £199m	53	40
£2m to £499m	45	51
£5m to £999m	19	18
£10m and above	11	16

Figure 8: Scotland investment value by investment band (2021 - 2022)

Investment band	2021	2022
Less than £100k	£4	£4
£100k to £499k	£37	£37
£500k to £999k	£43	£40
£1m to £199m	£73	£56
£2m to £499m	£130	£143
£5m to £999m	£126	£117
£10m and above	£342	£556

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Figure 9: Scotland first and subsequent investment rounds 2017-2022 (by investment value)

Year	First deal	Subsequent deal
2017	£88m	£504m
2018	£68m	£292m
2019	£171m	£423m
2020	£73m	£392m
2021	£84m	£669m
2022	£97m	£856m

Figure 9: Scotland first and subsequent investment rounds 2017-2022 (by number of deals)

Year	First deal	Subsequent deal
2017	134	268
2018	122	254
2019	130	311
2020	117	345
2021	128	296
2022	91	316

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Figure 10: Trends 2013-2022 - Deal numbers and investment value into Scottish spinouts

Year	Investment value	Deal numbers
2013	£27m	34
2014	£61m	38
2015	£134m	46
2016	£28m	32
2017	£55m	70
2018	£44m	55
2019	£71m	59
2020	£99m	79
2021	£154m	60
2022	£235m	58

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Figure 11: UK types of investor by number of separate investments (participations) 2017 - 2022

Types of investor	2017	2018	2019	2020	2021	2022
Angel Network	232	242	289	288	355	297
Business Angel(s)	328	271	295	370	635	656
Corporate	167	176	197	193	318	256
Crowd Funding	363	372	438	487	580	525
Private Equity and Venture Capital	931	967	1054	1147	1505	1396
Government	227	291	319	537	437	351
Other Private	275	317	296	254	374	357

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Figure 12: Scotland types of investor by number of separate investments (participations) 2017 - 2022

Types of investor	2017	2018	2019	2020	2021	2022
Angel Network	64	65	83	67	74	88
Business Angel(s)	45	19	33	44	63	65
Corporate	17	14	20	13	19	14
Crowd Funding	12	17	24	15	28	16
Private Equity and Venture Capital	66	66	80	73	92	87
Government	124	102	128	194	124	119
Other Private	22	25	34	12	28	21

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