

# Growth capital update: Q1 - 2025

## Market cools as uncertainty reigns

### Our view of the market

The UK's growth capital market continued to cool into 2025, as it reacted to economic and geopolitical uncertainty, stemming largely from the policy changes of the new Trump administration in the US.

According to our research into UK private companies raising between £1 million and £20 million of growth equity capital each, 216 UK businesses raised a total of £1.004 billion in the first quarter of the year. The average deal size was £4.65 million.

Our figures reveal a 5% decrease in the number of deals completing and a 13% decrease in the overall amount of growth capital being raised compared with Q4 2024's 228 deals raising £1.151 billion. 216 deals in one quarter is the lowest number we have recorded since Q3 2020 in the middle of the pandemic.

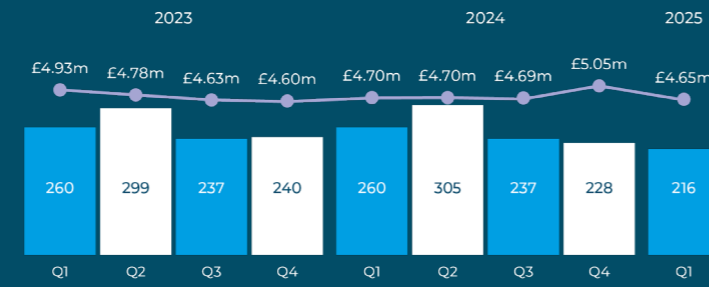
The technology sector has held up well. It increased its market share and accounted for 47% of total growth capital funds invested in Q1. AI continued to be a strong investment theme, despite the shock to the market after the release of China's DeepSeek AI model in January. It called into question some of the larger investments that have already been made in this space and whether they will deliver returns. Sustainable and green technologies have also been resilient.

Later-stage VC deals were the most common in Q1 2025, accounting for 42% of all deals completed, and 52% of total funds invested. Companies with a proven track record seem increasingly more attractive to investors than early-stage businesses, presumably representing a more certain bet in these uncertain times.

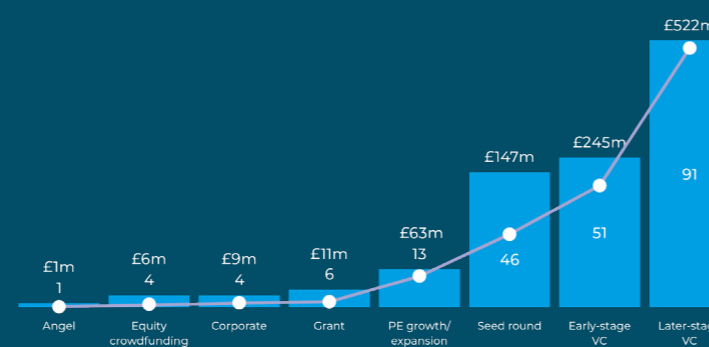
### Technology sector

The technology sector emerged as the top choice for investors, representing 44% of all transactions by volume and 47% by value. While we have witnessed a decline in the overall number of deals completing for three successive quarters, the number of technology deals has not fallen at the same rate, and the amount of money being raised in aggregate in technology transactions has barely changed across the same period. The UK growth capital market may have shrunk as a whole but technology deals are increasing their share of the market, proving even more popular with investors than other sectors.

### Quarterly number of deals and average deal size



### Q1 2025 deal volume and deal type



We saw many investments in sustainable and green technology, with investors backing businesses involved in solar energy, carbon capture, solid-state batteries and low-cost hydrogen technologies. This investment trend is likely to continue with the drive towards a net-zero future.

### Notable tech sector deals



In March, Cloudsmith, a Belfast-based cloud-native artifact management platform specialising in software supply chain security, raised a \$23 million Series B round led by Californian VC investor TCV, with participation from New York-based Insight Partners and existing investors.

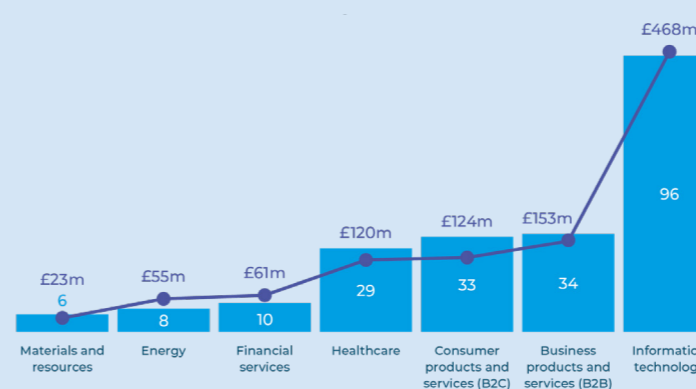


In February, OneID, the UK's only provider of bank-verified digital identification services, announced it had secured £16 million new funding in a round led by VC firm ACF investors, previously known as Angel CoFund. OneID will use the funds to enhance its product offering, expand its operations into new market sectors and deliver its services to new and existing customers.

**"In an era shaped by climate change, rapid technological advances and an increasing emphasis on corporate responsibility, the intersection of sustainability, technology and innovation is drawing strong interest from growth capital investors."**

John Cowie, Head of Growth Capital, Moore Kingston Smith

### Q1 2025 deal volume and value by sector



### Trending: Business products and services (B2B)

The B2B sector was the second most popular with UK investors in Q1 2025, having been in fourth place in the previous quarter. B2B deals accounted for 16% of all transactions by volume and 15% by value. Private equity firms are drawn to the B2B sector due to its potential for growth, consolidation and value creation through operational improvements and cost efficiencies, often leading to strong returns on investment.

### Notable B2B deals



In March, Leeds-based outdoor advertising company 75Media announced it had secured funding from NPIF Mercia Equity Finance. This will advance its AI platform and billboard optioning and booking, and support its international growth. Two days later, it announced that it had expanded its large-format portfolio with the acquisition of 31 existing digital roadside sites and a future pipeline from fellow out-of-home advertiser Mass Media.

Parkwalk Advisors, which describes itself as the UK's largest investor in university spin-outs, backed several B2B businesses, including Imperial College London spin-out M-Spin and two University of Cambridge spin-outs: PervasID and Molyon.



In January, Northern Ireland-based manufacturer of plastic building products for the construction industry RE-KKUR received a £3.75 million funding package including equity investment from Whiterock's Growth Capital Fund and debt finance from the Investment Fund for Northern Ireland, also managed by Whiterock.

### Q4 key stats:



216

deals completed



-5%

number of deals



£1.004 billion

growth capital raised



Growth Capital Update: Q4 2024



Moore Kingston Smith advises CACI on IdentityE2E acquisition

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## Active investors

Maven Capital Partners topped our most active investor table, with the completion of nine transactions in the quarter. Fuel Ventures, Foresight and Mercia all tied for second place, with seven deals apiece. BGF and Innovate, which regularly topped our charts throughout 2024, were noticeably less active, with only one deal each matching our criteria.

Maven's investments in Q1 included:

- participating via its Investment Fund for Scotland in the £5 million funding round for Dxcover, a Glasgow-based clinical-stage cancer diagnostic company, which was spun out from the University of Strathclyde;
- leading a £4.5 million funding round for Cambridge-based Blackdot Solutions, a provider of advanced intelligence and investigations software;
- investing £2.25 million in Glasgow-based Kube Networks, a technology solutions provider specialising in managed IT and infrastructure services, cloud solutions, connectivity, voice and cyber security;
- investing £1 million in plant-based food business Tiba Tempeh.

## Outlook

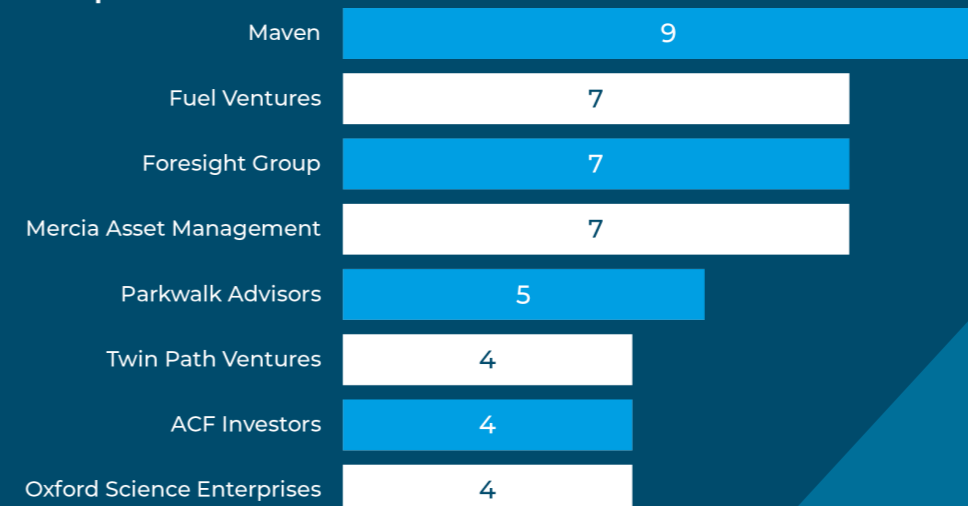
At the end of 2024, we said we remained cautiously optimistic about the UK's growth capital market. However, we warned that there might still be stormy waters ahead, if concerns about the UK bond market, the higher cost of government borrowing and inflationary pressures translate into the Bank of England reversing previous cuts in interest rates.

In Q1 2025, it seems that these fears about potential domestic difficulties have been more than trumped by worries about the impact the new US president's fiscal and foreign policies will have on the market. Economic weakness in the US, and fears that tariff policies will lead to higher consumer prices and a global economic slowdown, do not make for a benign private investment environment.

Investors do not like uncertainty, and the fallout from a possible global trade war makes for a great deal of uncertainty. In addition, as the US pursues protectionist America-first policies, we may see reduced funding from US-based investors for UK-based companies.

Unsurprisingly, previously active investors have drawn their horns in and opted to find out how the market settles before returning to their normal levels of activity. 2025 has delivered some economic shocks and it may take the market a while to understand the consequences of these and adjust to new economic realities. As 2025 progresses, we expect to see highly focused capital deployment, with investors prioritising quality over quantity.

## Q1 2025 top investors



**“As the global market changes, there are certain strategies that UK companies should adopt to navigate the troubled waters:**

**Evaluate any dependencies on the US market – review how shifts in trade policies or tariffs could affect operations in the US.**

**Monitor currency volatility – fluctuations in the GBP/USD exchange rate could impact pricing and profitability.**

**Diversify global partnerships – if US market access becomes restricted, focus on building a more international network as a counterbalance.”**

John Cowie, Head of Growth Capital, Moore Kingston Smith

## Contact our corporate finance team

If you're an ambitious entrepreneurial business with revenues of at least £1 million and are looking to scale, get in touch for an initial discussion. We can work together to assess the best action and then assist with finding the right partner for you. Contact us to find out more about our raising finance and growth capital services.

We also assist investors and are experts at providing advice throughout the acquisition or investment process. Our team can help identify and evaluate potential opportunities and run the financial and tax due diligence process, allowing you to make decisions quickly and confidently.



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