

Investing in Ambition

Scotland's Risk Capital Market in Context-2021

July 2022

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About the Report – Introduction

A supportive ecosystem and the availability of early stage equity finance is a measure of a strong business environment. While a relatively small part of the overall access to finance market, equity plays a crucial role in underpinning the progression of early stage, innovative and high risk companies. They frequently operate in growing markets, introduce new technologies, products, and services, and deploy disruptive business models to achieve high growth.

This report is the latest in a series that tracks the flow of equity investment – setting Scotland's performance alongside the other nations and regions of the UK. This analysis, based on Beauhurst data, allows Scotland's market performance to be seen in a wider context. This evidence base informs Scottish Enterprise's interventions to support ambitious early stage companies which in turn supports the continued growth of the Scottish equity investment 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. **The early stage is defined as the pipeline of pre start up, start up, growing and expanding businesses, frequently technology based, that have the potential to achieve high growth.**

Scottish Enterprise responds to market gaps that limit potential by increasing the supply of early stage equity and debt finance. Working alongside public and private providers of finance, Scottish Enterprise interventions are evidenced 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.

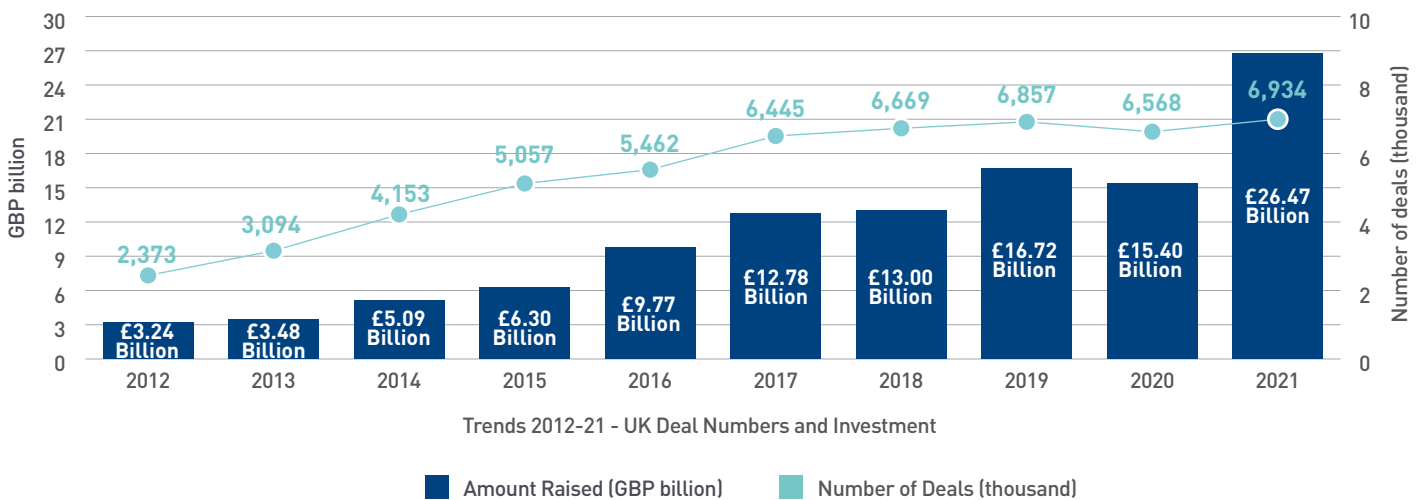
Review of the UK Investment Market in 2021

Growth in the UK equity risk capital market continues at pace with £26.47bn invested across 6,934 deals in 2021, an increase of 72% for investment and 6% for deals when compared with 2020. This is a record and confirms the UK as having the largest and most active equity risk capital market in Europe. (Pitchbook, [European VC Valuations Report 2021, 2022](#)).

Our 2021 report looks at what sits behind this increase, shines a spotlight on Scotland's continued strong performance and compares with the other countries and regions of the UK.

The analysis is based on Beauhurst data, and the deals tracked via their platform. This analysis differs from other published reports in seeking to identify and analyse all deals rather than just published 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.

Trends 2012-2021 - UK Deal Numbers and Investment



The Impact of Large Deals

Strong growth in the UK market is fuelled by an increase in the number and amounts going into very large deals (above £50m). The contribution of large deals to market growth in 2021 cannot be over-emphasised – UK investments above £50m reached £13,272m across 113 deals in 2021. This represents 50% of total investment from only 2% of the deals.

When compared with 2020 performance, the market above £50m grew by 138% (2020: £5,586m), and deal numbers grew by 140% (2020: 47 deals). Growth below £50m occurred at a more modest rate, with investment increasing by 34%, from £9,812m in 2020 to £13,192m in 2021, and deal numbers increasing by 4%, from 6,349 in 2020 to 6,611 in 2021. Overall, the average deal size above £50m decreased slightly from £119m to £117m.

Looking at the £100m plus deals, the dominance of London as a global investment hub stands out with 37 £100m plus deals with a combined total investment of £6,897m. This included £578m into Revolut, £359.2m into Monzo, £358.3m into SaltPay, £332.8m into Checkout.com and £323.8m into Hopin. With the exception of Hopin (a teleconferencing platform) the rest are financial services companies.

While large deals are now a regular feature of the market, it is still the case, outside London, that a handful or even one deal can elevate a country or region's position and significantly influence overall investment performance from year to year. In the South East, £727m was invested across 5 deals (Causeway - £120m, Exscientia - £162m, Immunocore - £129.4m, Oxford Nanopore Technologies - £195m and Vaccitech - £120.9m), compared with £200m across 2 deals in 2020. In 2021, £754m was invested across 4 deals in the East of England, (Artios Pharma - £110.7m, CCMR Surgical - £431.9m, Gyroscope Therapeutics - £107.6m and Kao Data - £103.9m), and the North West had 1 deal over £100m (Matillion - £108.7m). Both the East of England and the North West had no deals over £100m in 2020.

In the South West, £435m was invested across 3 deals (Graphcore - £162.4m, Netomnia - £123m and Vertical Aerospace - £149.3m), compared with 1 deal worth £116m in 2020. The West Midlands also benefited from £175.7m invested in Quanta.

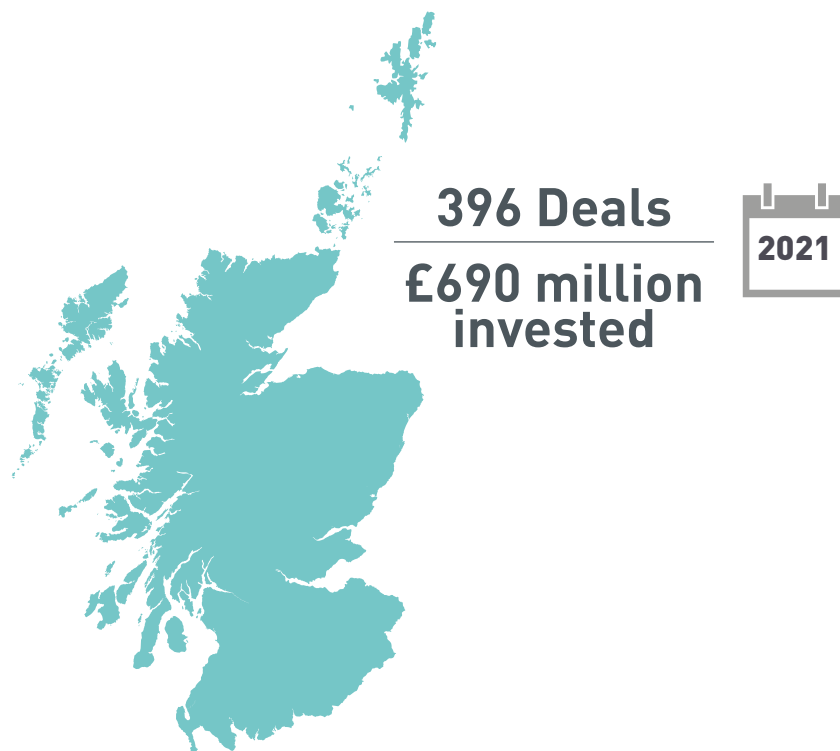
Region	£100m and Above Value 2020 (Deals)	£100m and Above Value 2021 (Deals)
London	£2935m (12)	£6897m (37)
East of England	0	£754m (4)
South East	£200m (2)	£727m (5)
South West	£116m (1)	£435m (3)
West Midlands	£200m (1)	£176m (1)
North West	0	£109m (1)

Investment across the UK in 2021

Given the incidence of large deals taking place in London, it is of little surprise that London continues to attract the largest amount of investment by value and number of deals, with a record level of investment in 2021 - £17,420m invested across 3,556 deals. This compares with £10,150m invested across 3,303 deals in 2020 (an increase of 72% and 8% respectively).

When London is combined with the next best two performing regions (the South East of England and East of England) collectively known as the Golden Triangle, they account for 84% of total UK investment and 71% of deals. These three regions are consistently in the top quartile in terms of investment and deal numbers and it is unlikely that this relative position will change given the concentration of companies, investors, and proximity to markets.

Outside this area, Scotland is one of the most active investment markets and in the next quartile of best performing areas. Scotland was the fifth best performing area for number of deals (396) and the sixth best performing for total investment (£690m). In terms of investment, the South West and the North West performed better, however, both benefited from large deals (the South West with 8 deals above £50m with a combined value of £658m and the North West with 6 deals above £50m and a combined value of £430m) in a year where Scotland did not have any deals above £50m.



Geographical Breakdown (Deals and Investment £million)

North West		
	Deals	£m
2019	386	655
2020	352	508
2021	361	1,074

Scotland		
Year	Number of deals	Amount invested £m
2019	438	484
2020	457	509
2021	396	690

North East		
	Deals	£m
2019	114	158
2020	186	250
2021	191	227

N Ireland		
	Deals	£m
2019	80	55
2020	56	50
2021	70	100

York & Humber		
	Deals	£m
2019	201	147
2020	186	250
2021	191	227

West Midlands		
	Deals	£m
2019	185	171
2020	209	487
2021	199	408

East Midlands		
	Deals	£m
2019	119	241
2020	132	122
2021	134	218

Wales		
	Deals	£m
2019	150	98
2020	151	130
2021	144	121

East of England		
	Deals	£m
2019	492	1,303
2020	462	919
2021	463	2,136



London		
	Deals	£m
2019	3,476	11,408
2020	3,303	10,150
2021	3,556	17,420

South West		
	Deals	£m
2019	399	603
2020	329	406
2021	397	1,140

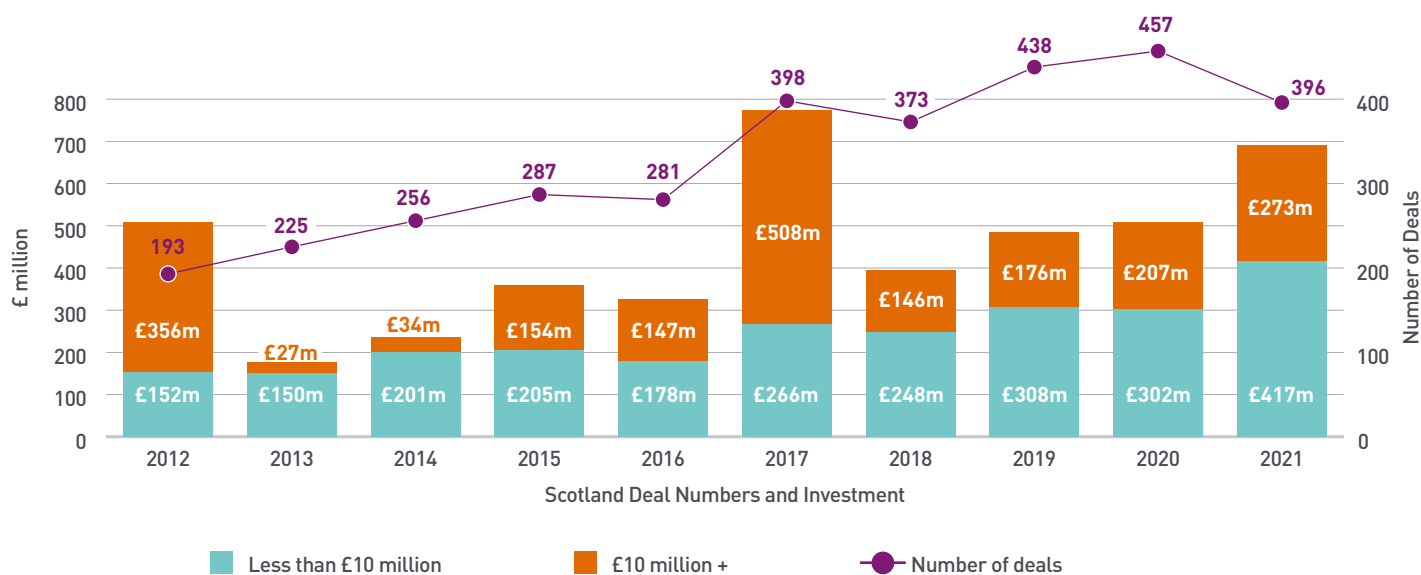
UK Total		
Year	Number of deals	Amount invested £m
2019	6,857	16,716
2020	6,568	15,398
2021	6,928	26,463

South East		
	Deals	£m
2019	817	1,319
2020	816	1,753
2021	884	2,680

Spotlight on Scotland

In 2021, Scotland attracted £690m in investment – over a third more than the £509m recorded in 2020. A total of 396 deals took place in 2021, compared with 457 deals in 2020, (a decrease of 13%). Deal numbers were higher in 2020 due to the Scottish Government's COVID-19 early stage response, the Early Stage Growth Challenge Fund, delivered by Scottish Enterprise, which accounted for 90 deals. The value of investment in Scotland in 2021 made up 3% of the UK total and 6% of deals, similar to the position in 2020.

Trends 2012-2021 - Scotland Deal Numbers and Investment



Deals above £10m

The £10m and above size band saw growth of 32% in 2021, with £273m raised across 10 deals, compared with £207m across 9 deals in 2020. These are often companies that have already secured multiple smaller funding rounds and who have progressed to a stage where they are able to secure these larger investments.

Deals below £10m – The Underlying Market

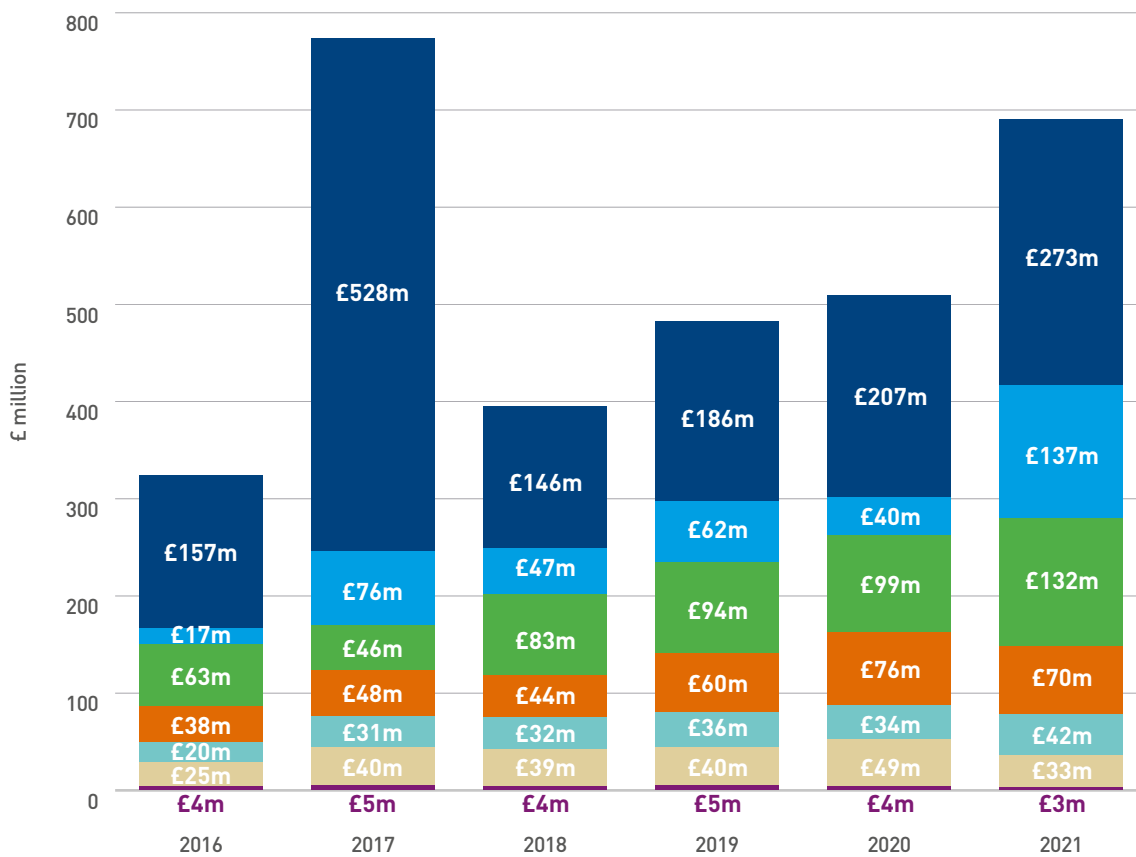
A measure of the health of a market is the strength of the underlying market, defined as deals under £10m, where earlier stage and higher risk deals are more likely to take place. In 2021, investment under £10m increased to £417m compared with £302m in 2020 (up 38%). The number of deals declined in the same period by 14% (386 compared with 448 in 2020), which can largely be explained by the contribution of the Early Stage Growth Challenge Fund in 2020. There was, however, an increase in the average deal size in the underlying market in 2021 to over £1m compared with £670k in 2020.

The underlying market can be broken down into investments taking place in the £2m to £10m range and those taking place under £2m. Investment in deals between £2m and £9.99m increased from £346m in 2020 to £542m in 2021 (up 57%). Total deals also increased from 49 in 2020 to 76 in 2021 (up 55%).

When we look at investments under £2m, total deals fell from 398 in 2020 to 306 in 2021 (a decrease of 23%). Investment in these bands also fell from £163m in 2020 to £148m in 2021 (a decrease of 9%).

As highlighted in earlier reports, the supply of funding at smaller investment bands (below £2m) is frequently secured by early stage companies and the supply of funding (as well as viable demand) presents the greatest challenge for the growth and health of the overall market. 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, many progress to attract interest from institutional and VC investors who are able to support them as they scale.

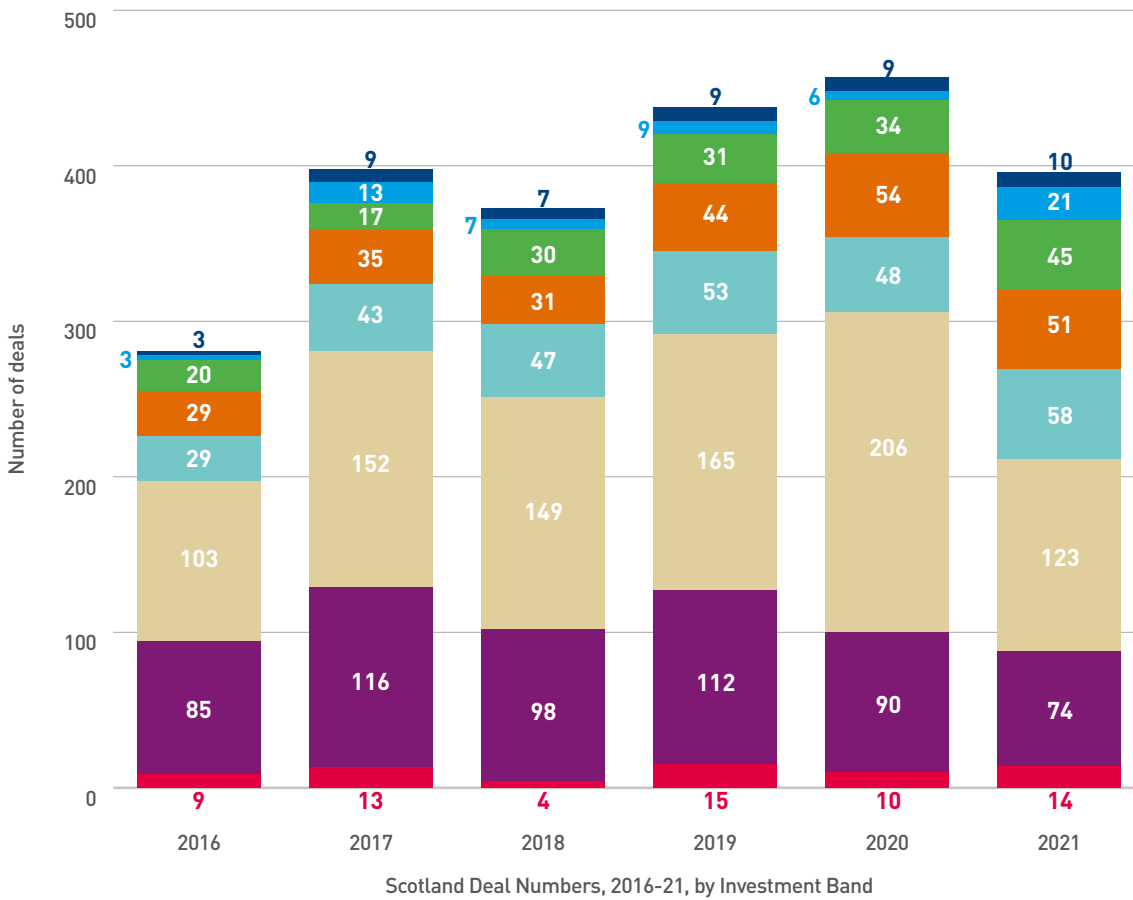
Scotland Investment, 2016-21 by Investment Band



Scotland Investment, 2016-21, by Investment Band

- Less than £100K
- £100K to £499K
- £500K to £999K
- £1m to £1.99m
- £2m to £4.99m
- £5m to £9.99m
- £10m and above

Scotland Deal Numbers, 2016-21, by Investment Band



The UK underlying market grew in both value and deal numbers in 2021, with the amount invested increasing by 22% to £6,606m. The number of deals increased by 3% on the previous year to 6,297.

Breaking down the underlying market into investments in the £2m to £10m range and investments under £2m, investment in deals between £2m and £9.99m increased from £3,255m in 2020 to £4,365m in 2021 (up 34%). The number of deals between £2m and £9.99m also increased from 772 in 2020 to 1,033 in 2021 (also up 34%).

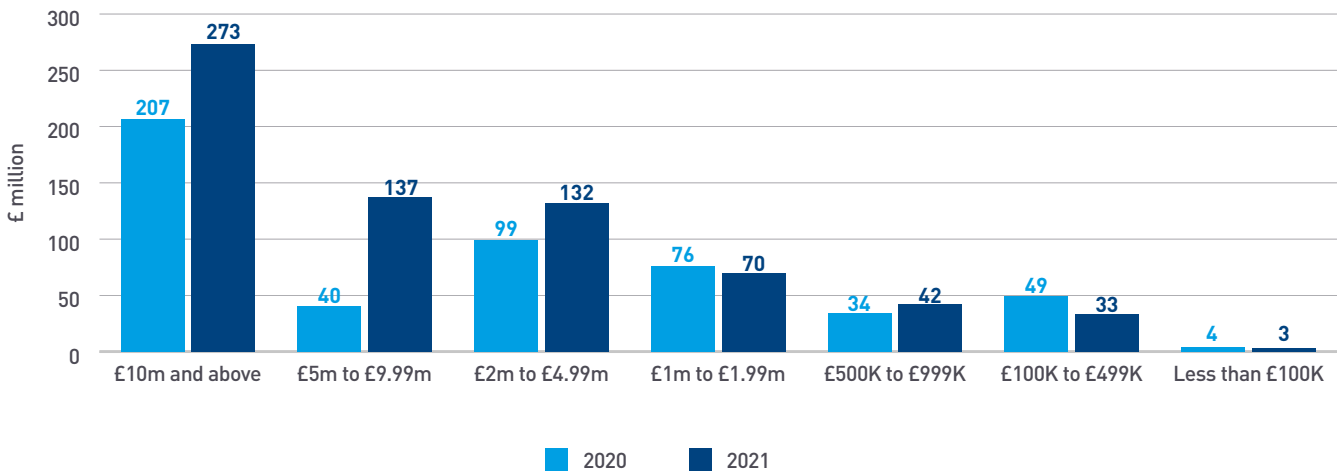
In line with trends in Scotland, deals under £2m fell from 5,364 in 2020 to 5,264 in 2021 (a decrease of 2%), but investments grew slightly from £2,140m to £2,241m over the same time period (an increase of 5%). A fall in the number of smaller deals in Scotland fits with gradual and wider UK trends (that pre-date the pandemic). This was most pronounced in the less than £500k deal range, which fell by a third in 2021 in Scotland. This fits with a wider, but less pronounced trend across the UK, where the number

of deals below £500k declined by 5%. Beauhurst have also observed, which may be more applicable to London and the surrounding areas, that many companies are skipping smaller rounds (less than £500k) in favour of slightly larger raises ([Beauhurst, The Deal 2021, 2022](#)).

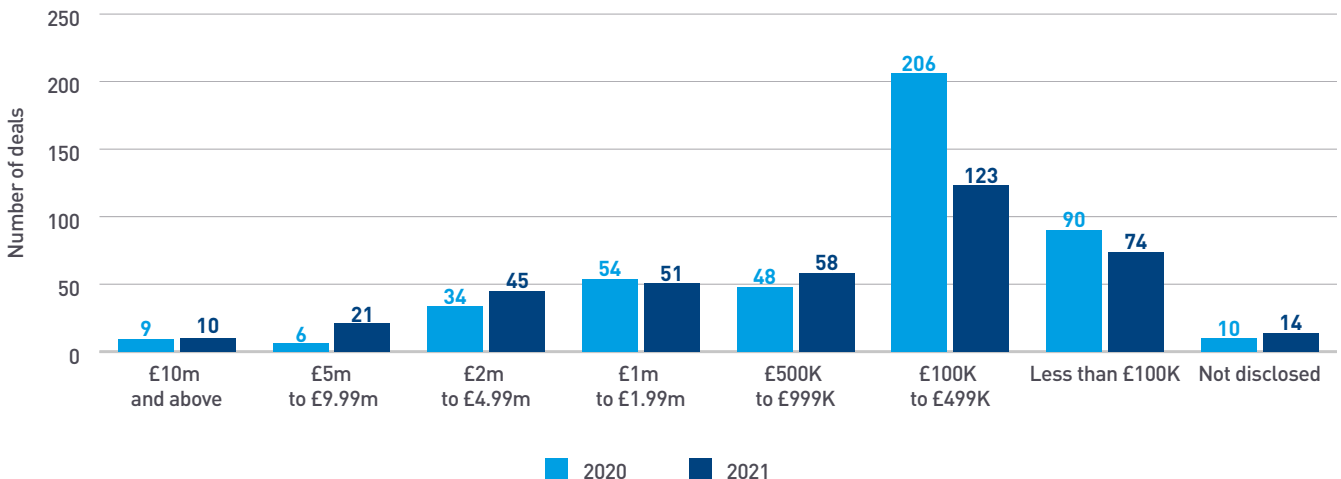
The strength of the Scottish market between £2m and £10m offset decline at the earlier stages, with overall investment increasing by 93%, from £139m in 2020 to £269m in 2021. There were 66 deals between £5m and £9.99m, taking deal value in this band from £40m in 2020 to £137m in 2021. Across the UK, increased competition for deals has played a big part in driving investment and deal sizes upwards. Significant deals in the £5m to £9.99m band include Kick ICT (£8.5m), The Ardgowan Distillery Company (£8.4m), Brewdog (£8.3m), DySIS Medical (£7.3m) and Mironid (£7.3m).

The increase in larger rounds is encouraging, with the number of deals between £5m and £9.99m increasing from 6 in 2020 to 21 in 2021. Increased valuations, combined with increased competition for attractive deals, is encouraging some later stage investors to look at smaller deals and to widen their search ([British Business Bank, Small Business Finance Markets 2021/22, 2022](#)).

Scotland - Value by Investment Band (£m)



Scotland - Deal Numbers by Investment Band



The strength of Scotland's underlying market is even more apparent when compared with other UK regions. The average deal size in the underlying market in Scotland in 2021 was £1.12m, compared with £689,000 in 2020, an increase of 63%. This puts Scotland's average deal size under £10m higher than the UK average of £1.05m, behind only the East of England and London.

Underlying Market Country and Region	Average Deal Size (0- £9.99m)
London	£1.15m
South East	£884,000
East of England	£1.18m
Scotland	£1.12m
North West	£999,000
South West	£745,000
Yorkshire and Humber	£954,000
West Midlands	£841,000
Wales	£804,000
East Midlands	£793,000
North East	£732,000
Northern Ireland	£1.1m
UK Average Deal Size <£9.99m	£1.05m

Scotland saw strong growth in the underlying market in 2021, with investment increasing by £115m, or 38%, on 2020 levels. This was the second highest percentage increase in the UK in 2021, after Northern Ireland (71%).

Underlying Market Country and Region	Underlying Market Value 2020	Underlying Market Value 2021	Growth in Underlying Market
London	£2,985m	£3,715m	24%
South East	£678m	£715m	5%
East of England	£382m	£488m	28%
Scotland	£302m	£417m	38%
North West	£244m	£315m	29%
South West	£201m	£272m	35%
Yorkshire and Humber	£177m	£168m	-5%
West Midlands	£138m	£154m	12%
Wales	£86m	£107m	24%
East Midlands	£91m	£96m	5%
North East	£73m	£90m	23%
Northern Ireland	£41m	£70m	71%
UK Total	£5,398m	£6,607m	22%

Growing the Early Stage Pipeline

A healthy investment ecosystem is characterised by a growing number of very early stage and attractive investment opportunities. This requires investors with an appetite to invest at the very early stages and for companies to progress and attract subsequent investment from patient later stage investors with deep pockets that can bring added value experience and be alongside these companies on the next stages of their growth journey.

Compared to the overall growth in the UK market, first time equity investment has been more measured with investment into first time deals in the UK increasing from £2,413m in 2020 to £3,140m in 2021, up 30%. The total value of first time deals in 2021 made up 12% of total UK investment (16% in 2020). The number of first time deals increased from 2,044 in 2020 to 2,132 in 2021, up by 4%, pointing to an overall increase in the average first time deal size (up 25%). The total number of first deals in 2021, makes up 31% of total deal numbers for the UK.

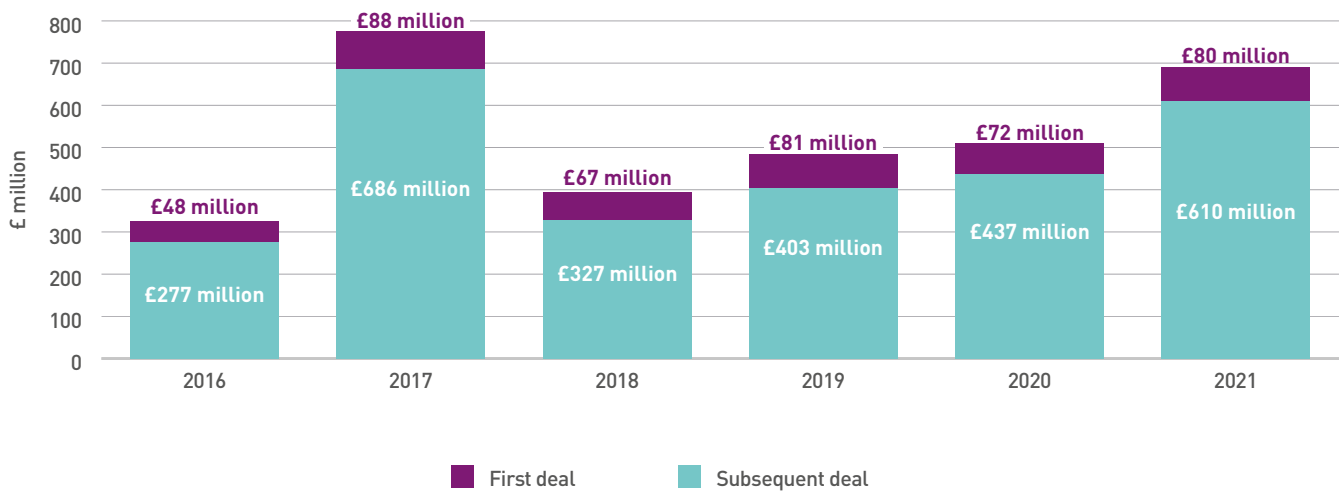
Although the number of first deals has increased since 2020, this is still lower than the peak reached in 2018 when 2,595 deals were recorded and is not matched by the growth seen in larger and later stage deals.

Subsequent UK investment increased from £12,985m in 2020 to £23,323m in 2021, up 80%, making up 88% of total deal value. The growth in the number of subsequent deals is smaller at just 6%, increasing from 4,524 to 4,796, reflecting the growing influence of very large deals on overall market performance. The total number of subsequent deals in 2021, makes up 69% of total deal numbers for the UK. Again, these figures reflect the influence of the trend towards larger deals.

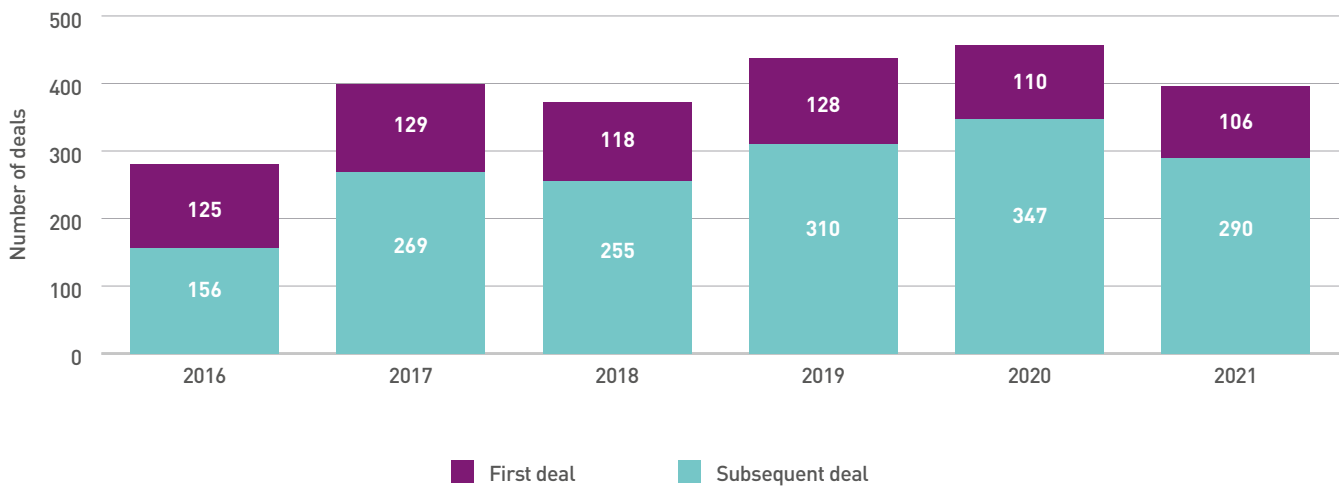
Scotland First and Subsequent

Consistent with market trends that have seen investors increasingly favouring larger deals, investment in subsequent deals increased 40% to £610m in 2021, from £437m in 2020. However, the number of both first and subsequent deals in Scotland decreased last year. In 2021, there were 106 first deals in Scotland, compared with 110 first deals in 2020, a decrease of 4%. There were 290 subsequent deals in Scotland in 2021, compared with 347 in 2020, a decrease of 16%. The total number of first deals in Scotland in 2021, made up 27% of total deal numbers. The value of these first time deals increased by 11%, going from £72m in 2020 to £80m in 2021, comprising 12% of total deal value in Scotland (same as UK as a whole).

Scotland First and Subsequent Investment Rounds, by Investment (£m), 2016-21



Scotland First and Subsequent Investment Rounds, by Number of Deals, 2016-21



Spinouts

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

UK Spinouts

2021 saw a record amount of investment into spinout companies in the UK, with over £2.54bn invested across 389 deals. This represents just under 10% of total investment into UK private companies in 2021 (6% of deals) ([Beauhurst & Royal Academy of Engineering, Spotlight on Spinouts, 2022](#)).

Region	Spinout Investment Value	% of Total Regional Investment Value	Number of Spinout Deals	Average Deal Size	% of Total Regional Deal Numbers
South East	£1,006m	37%	84	£12m	9%
East of England	£565m	26%	58	£9.7m	12%
London	£483m	3%	58	£8.3m	2%
South West	£256m	22%	28	£9.1m	7%
Scotland	£153m	22%	60	£2.55m	15%
North West	£41m	4%	15	£2.7m	4%

Relative to overall market size, Scotland performs well in terms of the number of spinout deals, coming in just ahead of the South East and London. However, when looking at the amounts raised in these deals, Scotland does not perform as well, with the lowest average deal size of £2.55m in a year where the average equity investment into UK spinouts was £6.70m ([Beauhurst & Royal Academy of Engineering, Spotlight on Spinouts, 2022](#)). Even with the impact of outliers and large deals this is a concern. The regions above Scotland for spinout investment value all attracted single

investments of over £100m into their spinouts in 2021, again, highlighting the absence of very large deals in Scotland. For example, £195m was invested in Oxford Nanopore, the most significant investment into a spinout in the South East, and indeed, the UK. Unsurprisingly, the South East and South West, home to the two universities with the highest spinout populations (the University of Oxford and the University of Cambridge) received the greatest investment into spinouts in 2021 (Beauhurst, [Equity investment into UK Spinouts, 2022](#)).

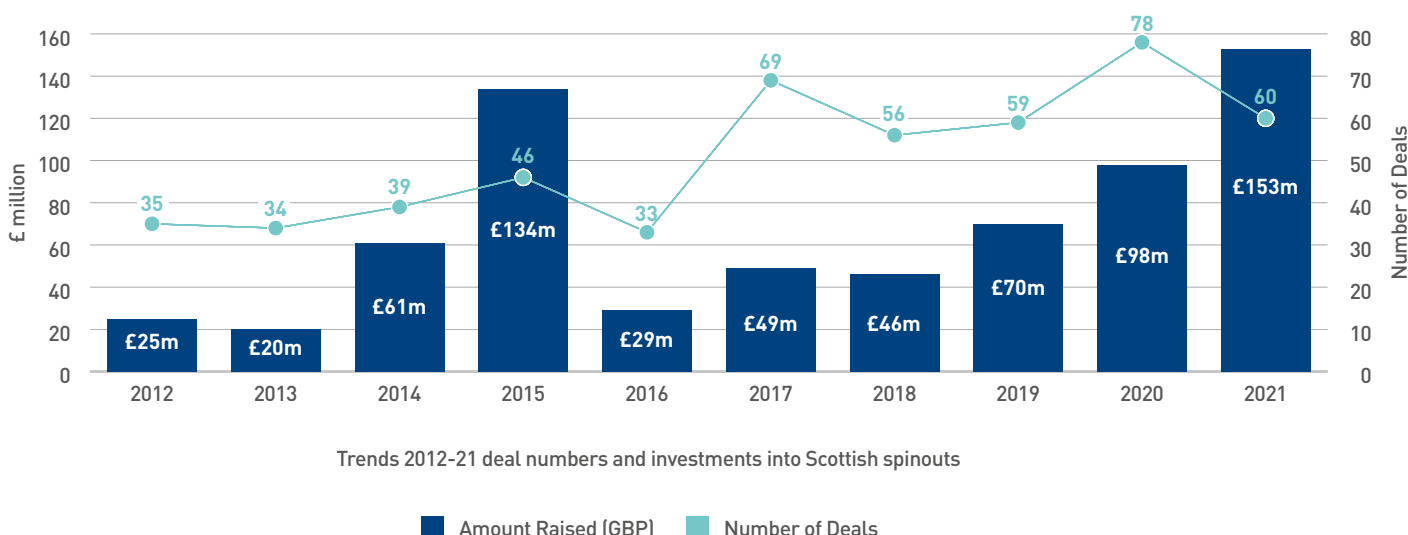
Recently published research identified Scottish Enterprise as the most active UK investor into spinout companies, participating in 232 deals between 2011 and 2021 (Beauhurst & Royal Academy of Engineering, [Spotlight on Spinouts, 2022](#)). Scottish Enterprise has also assisted in the development of a number of Scottish spinouts such as ENOUGH and Celtic Renewables (Beauhurst, [Equity investment into UK Spinouts, 2022](#)).

Scottish Spinouts

2021 was a record year for investment into Scottish spinouts, with £153m invested across 60 deals, beating the previous high of £134m in 2015, an increase of 14%. This is also an increase of 56% on the amount invested in Scottish spinouts in 2020 (£98m). Spinouts, therefore, accounted for 22% of total investment value and 15% of total deal numbers in Scotland in 2021.

Despite the absence of deals over £50m, there are examples of Scottish spinouts attracting significant investment. Scotland's second largest single investment in 2021 went into Amphista Therapeutics, a spinout from the University of Dundee (£38.1m). Investment over £10m also went into ENOUGH, a spinout from the University of Strathclyde, the fourth largest single investment into a Scottish company in 2021 (£35.9m).

Trends 2012-21 Deal Numbers and Investments into Scottish Spinouts



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).

The top three sectors in Scotland remained unchanged for the sixth consecutive year. Digital and IT once again accounted for the largest share of deals at 26%, followed by Business Services (22%) and Technology and Engineering (20%).

The remaining deals were spread across a range of sectors, with Food and Drink and Life Sciences well represented, alongside emerging areas such as Renewables, Fintech and Aerospace and Satellites. The Aerospace and Satellites sector saw the highest growth in 2020, up 71% from 2019. Investments in the sector included £4.05m in Orbex, £3.49m, in SaxaVord, £2.42m in Alba Orbital and £1m in Bright Ascension.

The number of deals taking place in the Renewable Energy sector also increased in 2021, up 20% on the previous year, and overtaking Oil and Gas and Energy – Other, reflecting growing demand for Net Zero and ESG compliant solutions and operations. This was driven by the COP26 conference, which took place in Glasgow from 31 October to 13 November 2021, as well as the introduction of more government grants and programs specifically aimed at helping to drive investment in areas such as Net Zero (KPMG, [Venture Pulse Q4 2021, 2022](#)).

Scotland Sectors Deals (Yearly)

	2016	2017	2018	2019	2020	2021
SE - Aerospace and satellites	4	7	1	2	7	12
SE - Business services	104	165	140	185	164	162
SE - Digital & IT	153	200	203	228	243	193
SE - Energy-other	20	20	21	21	26	16
SE - FinTech	11	16	13	21	23	21
SE - Food & drink	43	56	66	58	64	67
SE - Life sciences	34	59	48	23	61	50
SE - Oil & gas	9	19	15	23	22	11
SE - Other	23	29	23	25	33	32
SE - Renewable energy	15	19	14	22	20	24
SE - Technology & engineering	90	141	115	165	155	145

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

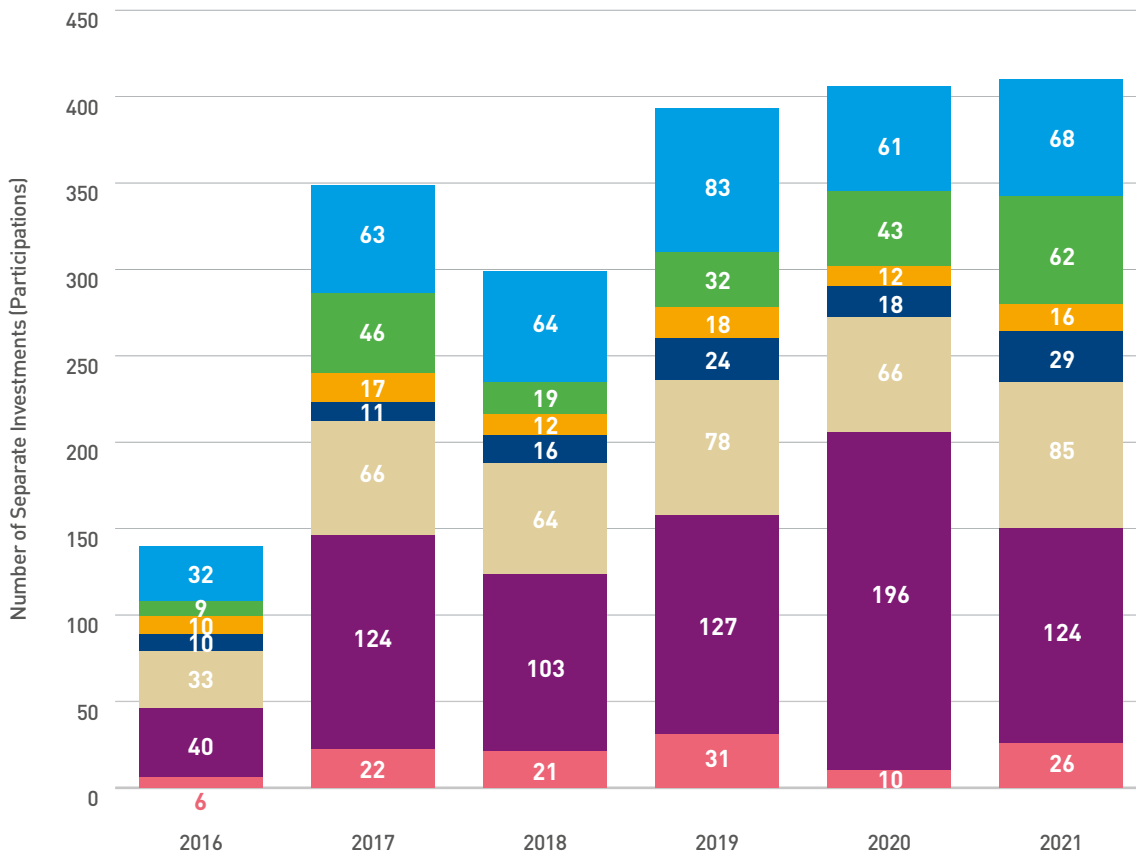
Investor Participation

The most active investors in Scotland by number of investments followed the same pattern in 2021 as the previous year. Government remained the most frequent investor in Scotland, due to strong public sector participation through Scottish Enterprise and Scottish Government investment activities. However, Government was the only investor type that saw a decrease in the number of participations, down 37% on the previous year. This can be explained by increased Scottish Government support in response to the pandemic in 2020.

Private Equity and Venture Capital was the next most active investor type, with investors participating in 85 Scottish deals in 2021, up 29% on 2020, and once again placing Scotland as the next best performing market after the Golden Triangle for this type of investment.

Scotland also stands out as having well-established Business Angel Networks (also described as Business Angel Groups or Syndicates). Angel Networks participated in 68 deals in 2021, an increase of 11% on the previous year. The majority of the UK's most active Angel Networks have roots in either London or Edinburgh. Whilst many of these groups consider opportunities from all over the country, most prefer to focus funding on their local areas ([Beauhurst, Most Active Angel Networks in the UK, 2022](#)), which may help explain why Scotland and London are the top two UK regions for attracting investment from Angel Networks (London saw 76 deals from Angel Networks in 2021). Scotland's strong Angel Network is not replicated elsewhere in the UK, with fewer deals from this investor type taking place in each of the remaining UK countries and regions.

Scotland Types of Investor, by Number of Separate Investments (Participations), 2016-21



Scotland Types of Investor, by Number of Separate Investments (Participations), 2016-21

- Other Private
- Government
- Private Equity and Venture Capital
- Crowd Funding
- Corporate
- Business Angel(s)
- Angel Network

Investor types are counted in as many deals as they participated in but each investor type is only counted once per deal. For example, a company receiving investment from an angel network and a VC would be counted as one deal each for 'Angel network' and 'Private equity and venture capital'. A company receiving investment from two angel networks would be counted as one deal only for 'Angel network'. The category 'Business Angel(s)' only counts deals that involved a disclosed individual, typically famous or prominent investors.

Scottish Regions

Deal value increased in every Scottish region in 2021, with the exception of Aberdeen and Highlands and Islands. East of Scotland remained the Scottish region attracting the most investment, accounting for 47% of deal value, compared with 43% in 2020. Deals over £10m in the East of Scotland in 2021 included £15.6m invested into BetDEX Labs, £36m into Build A Rocket Boy, £31.4m into Current Health and £42.2m into Intelligent Growth Solutions.

The position of Highlands and Islands, and in particular, Aberdeen's fall from the region with the second highest deal value in 2020 (24% of Scotland's total deal value) to fourth in 2021 (8% of Scotland's total deal value), behind the West of Scotland and Tayside, highlights the importance of large deals. Aberdeen had just 1 investment over £10m in 2021 (£15.5m into EnteroBiotix), compared with 3 investments over £10m in 2020, worth a combined total of £95.9m (£22.8m into Brewdog, £47.1m into Element and £26m into Well Safe Solutions). In Highlands and Islands, there was an absence of any deals over £10m in 2021, compared with 1 deal over £10m in 2020 (£17.9m into Orbex), taking its share of total deal value in Scotland from 10% in 2020 to 2% in 2021.

2 investments over £10m took place in Tayside in 2021 (£28.3m into Daring and £19.5m into Snappy Shopper - combined total £47.8m), compared to no investment over £10m in 2020. These deals helped increase Tayside's share of investment value in Scotland from 7% in 2020 to 15% in 2021. West of Scotland had 2 deals over £10m in 2021, including investment of £38.1m into Amphista Therapeutics and an investment of £35.9m into ENOUGH, a combined total of £74m. Just 1 deal over £10m took place in the West of Scotland in 2020 (£12.5m into M Squared). This has helped increase West of Scotland's share of total Scottish deal value to 25%, compared with 16% in 2020).

The large percentage increase (75%) in the value of deals in the South of Scotland was due to 1 deal over £10m in 2021 (£10.5m into Borderlink), compared with no deals over £10m in 2020. This took South of Scotland's share of deal value in Scotland from 1% in 2020 to 3% in 2021.

Scottish Regions by Number of Deals and Amounts Raised, 2016-21

	2016	2017	2018	2019	2020	2021
Aberdeen	14	32	39	54	43	35
	£26.2m	£520.9m	£100.5m	£122.7m	£123.4m	£56.5m
East of Scotland	124	193	177	203	222	188
	£205.3m	£151.2m	£164.3m	£235.4m	£218.0m	£324.2m
Highlands and Islands	18	14	19	16	25	13
	£5.3m	£1.8m	£37.8m	£17.7m	£48.8m	£11.8m
South of Scotland	7	11	6	8	4	7
	£1.7m	£5.5m	£7.9m	£6.9m	£3.2m	£20.5m
Tayside	34	32	33	46	44	51
	£26.1m	£10.4m	£14.8m	£21.2m	£34.1m	£106.9m
West of Scotland	84	116	99	111	119	102
	£59.9m	£83.9m	£68.8m	£80.1m	£81.7m	£169.7m
Total	281	398	373	438	457	396
	£324.6m	£773.6m	£394.2m	£484.0m	£509.2m	£689.6m

Summary

It is encouraging that the Scottish market continues to grow to near record levels and is holding the position of being one of the most active investment markets outside London and the surrounding two regions (collectively described as the Golden Triangle). Scotland's strengths include a well organised and established Business Angel market and a growing number of companies that are attracting later stage and international investment.

Despite the continuation of encouraging trends including strong growth in the underlying market (deals below £10m), there remain challenges, many shared by the other countries and regions of the UK. London, as a global investment hub when combined with the other regions that make up the Golden Triangle, continues to be the focus for the overwhelming majority of investment and deals. This dominance is increasing and is unlikely to change given proximity to investors and markets. This presents opportunities for Scotland, as set out in the Scottish Government's [Global Capital Investment Plan](#), to engage with London based international investors and to continue to showcase the quality of Scottish investment opportunities and the sectors where we have a growing presence (clusters of companies) and competitive advantages.

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 of ambitious companies that are bringing new solutions, innovations, and technologies to the market. This requires ambitious entrepreneurs, more high growth start-ups and a growing supply of capital and experienced investors that are willing and able to fund companies who are earlier stage, much higher risk and yet to deliver on their promise.

Across the UK, we are seeing increased competition for larger and later stage deals – fundraising is at an unprecedented high, which is translating into more competition for investment opportunities and investors widening their search. One observation, in part linked to this overall shift towards larger deals and in the case of Scotland, increased syndication (group investments), is the potential for increased complexity when transacting deals. This may also translate into more companies who could benefit from help when preparing to raise investment.

A further area of note is the success Scotland has seen in generating university spinouts, and while there are notable examples in 2021 of companies raising substantial investments, the average investment raised is the lowest when compared with the other strongly performing areas. There is no obvious explanation for why this is the case, especially as Scotland performed relatively well in 2021 with respect to the average deal value across the market. This is a finding that would merit further investigation and further work is being undertaken by Scottish Enterprise to establish if there are any reasons for why this might be the case.

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