

| Venture Banking

Reconnecting the Capital Cycle

Liquidity, Exits and the Outlook for UK Venture



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► **Let's do this**



The UK venture ecosystem continues to demonstrate remarkable resilience. Despite a more challenging market backdrop, capital remains available, innovation continues at pace, and the UK's most ambitious founders are building companies that compete on a global stage. From artificial intelligence and quantum computing to advanced engineering and defence technologies, the depth and quality of the UK's innovation pipeline remains one of our greatest strengths.



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This report highlights a market that is evolving rather than retreating. Investment remains robust, particularly in sectors where the UK enjoys genuine competitive advantages. Companies such as PhysicsX, CuspAI, Oxford Quantum Circuits and others are attracting significant capital and scaling rapidly, demonstrating that investors continue to back exceptional teams solving complex, globally relevant problems. At the same time, corporate investors, international capital, and specialist growth investors continue to play an important role in supporting the ecosystem's most promising businesses.

Yet the report also identifies a clear challenge: liquidity. While capital continues to flow into venture-backed companies, exits have been slower to materialise through traditional routes. Longer holding periods, a subdued IPO market, and increased reliance on alternative liquidity mechanisms such as secondaries and continuation vehicles are all evidence of an ecosystem adjusting to a new environment. The challenge for the UK is not a shortage of innovation or entrepreneurial ambition, but ensuring that capital can recycle efficiently through the system to support the next generation of founders and fund managers.

There are encouraging signs that this is beginning to happen. Regulatory reforms aimed at improving the competitiveness of UK public markets, growing engagement from pension funds and institutional investors, and sustained support from organisations such as the British Business Bank all point towards a strengthening domestic capital base.

Combined with the continued participation of international investors, these developments have the potential to create a deeper and more resilient funding environment over time.

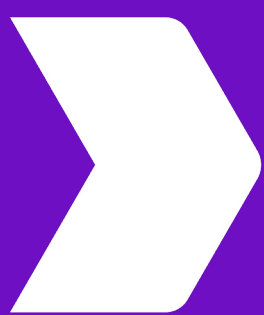
At NatWest, we see ourselves playing an important role in supporting that ecosystem. We work alongside founders, venture investors and growth businesses throughout their journeys, helping connect capital, expertise and opportunities. We believe deeply in the strength of UK innovation and in the ability of the venture ecosystem to adapt to changing market conditions.

The UK enters this next phase from a position of considerable strength. The number of unicorns continues to grow, breakthrough technologies are being developed across the country, and our universities, founders, investors and corporates remain at the forefront of innovation. While reconnecting the capital cycle will be critical, the foundations of the ecosystem are sound. We remain confident that the UK will continue to produce globally significant companies and exceptional investment opportunities for many years to come.

Greg Brown
Head of Venture Capital
NatWest Venture Banking



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Venture Landscape

Dealmaking is holding firm, led by a cohort of large rounds

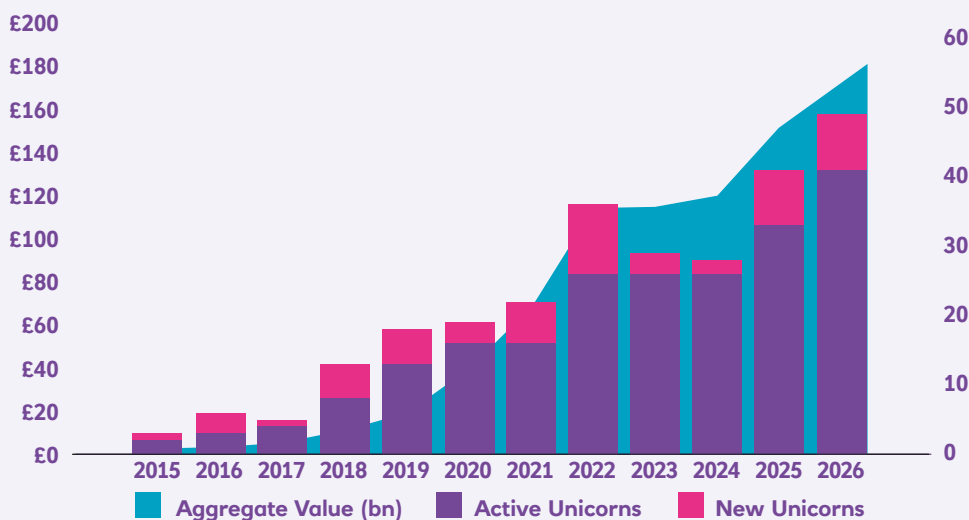
Capital remains available but is increasingly concentrated. UK venture has deployed £16.9bn across 1,417 deals so far in 2026, as of early August. Deal value is holding up well even as the number of deals eases, so capital is concentrating in fewer, larger rounds. While funding data usually lags, evidence of this capital concentration can be found in annual average deal size figures.

UK VC deal activity*



Geography: UK | Timeframe: 1/1/2015 – 10/08/2026 | *Data as of 10/08/2026

UK unicorn count and aggregate post-money valuation*



Geography: UK | Timeframe: 1/1/2015 – 10/08/2026 | *Data as of 10/08/2026



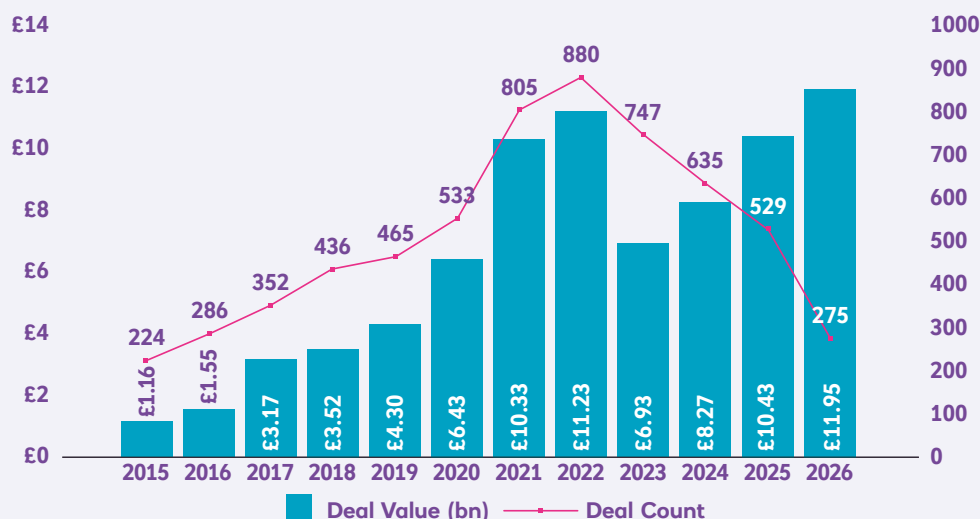
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The average deal size has grown from £6.7m in 2025 to £11.9m in 2026 YTD. While such trends can be subject to change as the remainder of the year plays out, a reversal in capital concentration is unlikely given AI funding tailwinds that have supported some of the largest deals closed in Q3 to date – such as CuspAI's £450m Series B.

The count of venture transactions also typically lags. Past quarterly averages show that between 2023 and H1 2026, quarterly deal value averaged £4.8bn.¹

If extended to Q3 and Q4 2026, it would put the full-year tally at an estimated 2,300-2,500 completed rounds for £24bn.

UK VC deal activity with corporate venture capital participation*



Geography: UK | Timeframe: 1/1/2015 – 10/08/2026 | *Data as of 10/08/2026



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”

¹ This figure is skewed by large outlier rounds in the current AI-driven environment and is thus overstated.



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Increasingly competitive, hot sectors are propelling capital concentration into even earlier stages

AI and deep tech are the drivers of UK funding momentum; AI drove the lion's share at close to £12bn across 616 financings.² Oxford Quantum Circuits (£250.9m), PhysicsX (£225m), and Behavox (£130.5m) each back a distinct deployment or infrastructure niche, rather than the costly, crowded race for consumer and enterprise AI applications.

Corporate investors are close behind that shift, with deals that included at least one CVC investor accounting for 71% of deal value and 19% of deal count so far this year, near previous highs.

Capital concentration can also be observed more narrowly on a per-stage funding basis. Pre-seed/seed and later-stage VC stage funding has already surpassed 2025 totals YTD across fewer than half as many deals. AI played a role, with several outlier early-stage transactions accounting for a significant proportion of that total, but it was not the only investment thesis at play.



Investors have also doubled down on investing in non-AI companies that have traditionally played to the UK's other sector strengths, culminating in Cambridge Aerospace, CORE POWER, and Kraken Technology Group closing late-stage VC megadeals – transactions exceeding £100m – in Q3.

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Likewise, notable pre-seed/seed transactions in Q3 have included Agon's £22.4m round and Vivid Dx's £11.2m seed funding. The most competitive sectors are seeing investor enthusiasm drive capital concentration even at the seed stage.

Overall, deal value remains concentrated, thanks in large part to sector intensity – albeit investment pacing is robust enough – making it clear that the typical company is now entering a more selective market in which to fundraise.

Investor sentiment is on the uptick, as a UK Private Capital survey³ reveals, but a focus on scale and sound financial footing remains paramount. Established companies can keep raising, as evidenced by the UK unicorn count rising to 41.

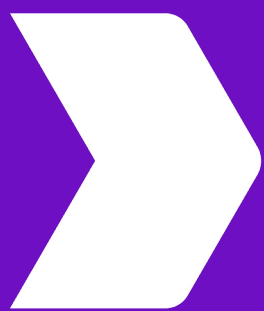
² Venture capital invested and deal count figures broken down by vertical contain overlapping deals due to PitchBook industry classification methodologies, wherein a single company often falls into multiple categories.

³ Private Capital Industry Signals Stronger Investment Intentions,” UK Private Capital, 4 March 2026

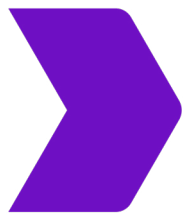




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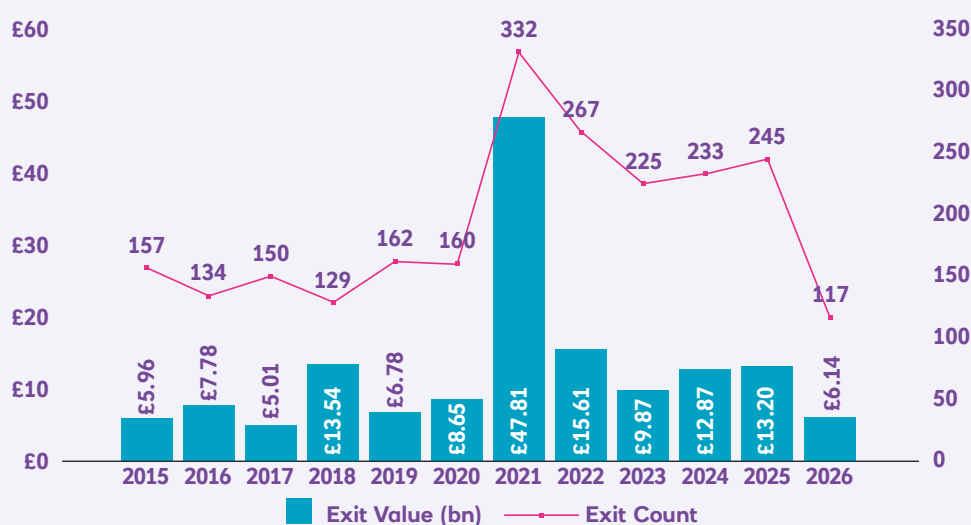


Market Insights



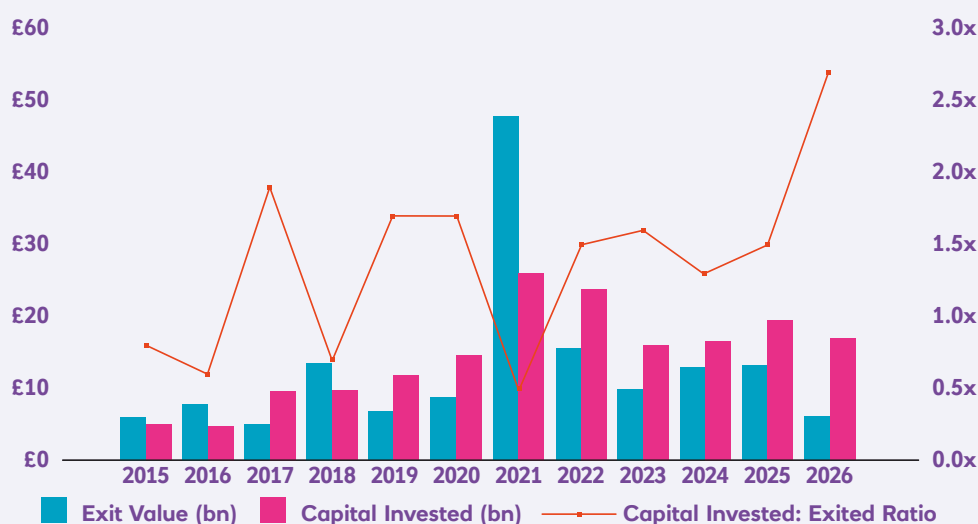
Liquidity is the UK ecosystem's binding constraint. More is being invested than realised through exits, and the routes that would rebalance that are narrowing. The gap is being filled by overseas and alternative capital, while domestic pools slowly rebuild.

UK VC exit activity*



Geography: UK | Timeframe: 1/1/2015 – 10/08/2026 | *Data as of 10/08/2026

UK venture capital invested versus total UK exit value*



Geography: UK | Timeframe: 1/1/2015 – 10/08/2026 | *Data as of 10/08/2026

More capital is being invested than is being realised



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The ratio of capital invested to exit value shows whether flows are drifting out of balance.

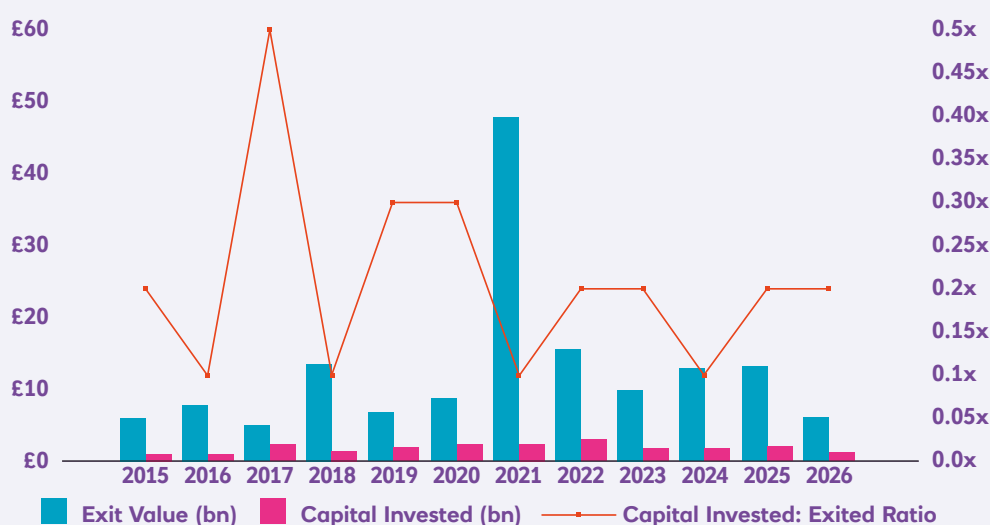
Across all UK VC deals, the ratio has remained well above 1x for several years, meaning more total capital has been invested than total exit value, whereas a healthier balance would be closer to 1x, suggesting a steady stream of cash is returning to fund investors even as capital is flowing out. In 2026 so far, lifted by mega-rounds, it has reached 2.7x, or £2.70 invested for every £1 of exit value. For UK VC deals with only UK investors, it has sat around 0.2x in recent years, peaking at 0.5x in 2017. In other words, a disparity exists between the capital invested/exited ratios across UK VC deals with only domestic capital and UK VC deals with a mix of domestic and overseas capital.

A higher ratio for UK VC deals with both UK and overseas investors in the cap table mix is telling of why outside capital is critical for later-stage and growth-stage investments, as well as the overall venture ecosystem.

A lower ratio for UK VC deals involving only UK investors may not bode well, suggesting that domestic firms are not consistently gaining significant exposure to all exiting companies. UK investors-only deals, in aggregate, represent only about one-third of UK deal counts and about 10% of value. To some degree, UK investors are consistently gaining exposure to a broad swath of UK venture-backed exits, but it remains capital-light and more likely on the smaller end of ownership percentages, so even steady subsequent exit value does not drive substantial outcomes.

The challenge in the UK venture ecosystem is that the outsized presence of nondomestic capital can limit the full potential range of domestic ownership. UK firms will need to own more domestic winners and deploy more capital to accrue greater value. For now, however, overseas capital remains central to the UK market.

UK venture capital invested in UK investor-only rounds versus total UK exit value*



Geography: UK | Timeframe: 1/1/2015 – 10/08/2026 | *Data as of 10/08/2026





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Reforms aim to open the listing route, though a venture-backed revival is unproven

The routes out are narrowing. Public listings have in recent years become less accessible to venture-backed firms, prompting some managers toward secondaries and other liquidity vehicles.

One measure has improved – the time from founding to exit has shortened to 7.9 years in 2026, down from 8.6 in 2025 – but that occurs at the very end of a typical fund's life, leaving little margin to recycle capital.

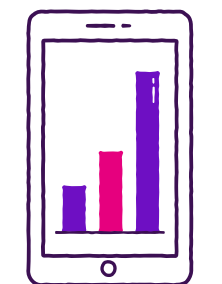
This can be seen in the steady clip of secondaries fundraising, especially for large multibillion-pound vehicles, with £33.9bn closed in 2025 across 10 vehicles. In 2026 to date, however, just one secondaries vehicle has closed – yet it has closed on billions in commitments, underlining how concentrated and uneven this liquidity route remains.

Public listings were nearly absent for venture-backed UK firms, in a sharp reversal from the 43 debuts in 2021 and 14 in 2022. Only one venture-backed IPO has occurred in 2026 to date: Commodities marketplace BLK Global, which had garnered £50m from Nimbus Capital in February 2025, listed on Ireland's Euronext Access Dublin.

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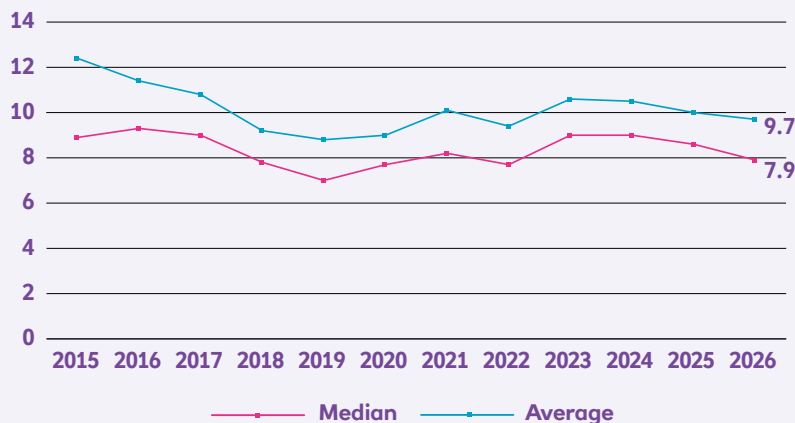


Market conditions, not company quality, closed the channel. In general, London remains an important listings market, although it has experienced increased competition from other global exchanges.

Morningstar notes that, since 2022, the number of companies delisting from the

London Stock Exchange (LSE) has been higher than the number of new listings.⁴ To support UK Listings, a multiyear stamp-duty exemption began in 2025, alongside support for companies preparing to list on the LSE.⁵ Whether it revives specifically venture-backed listings remains to be seen.

UK median and average time (years) from founding to VC exit*

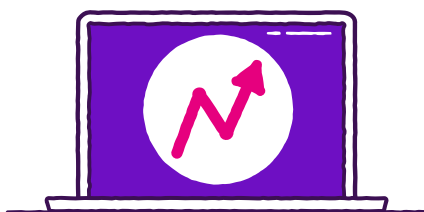


Geography: UK | Timeframe: 1/1/2015 – 10/08/2026 | *Data as of 10/08/2026

⁴ “UK Companies Shirk IPOs While Delistings Mount,” Morningstar, Kelsey Rees, 11 August 2026.

⁵ “PE-Backed UK Companies Shirk IPOs While Delistings Mount,” PitchBook, Kelsey Rees, 10 August 2026.





Trade sales carry the load, with sponsor buyouts a steady second

So far in 2026, just under £4.4bn in VC exit value has come from 80 corporate acquisitions of venture-backed UK businesses, compared with £8bn across 173 in full-year 2025, indicating a marked lag in exit momentum.

PE buyouts of VC-backed companies held steady in second place at £1.7bn across 36 VC exits, compared with 2025's over £5bn – near the decade record. That compares with £152.6bn in overall PE deal value across 1,973 transactions.

Such healthy PE dealmaking suggests that ongoing consolidation across services businesses and investment in tech could also create exit opportunities for VC-backed companies offering back-end software tools, especially AI platforms, that streamline operations and digital infrastructure, offsetting overall spending.

For another comparison, PE-backed exit value was £20.9bn across 131 transactions in the first four months of 2026. It also points to where general M&A may accelerate for venture-backed businesses, as acquisitions increasingly target the deep tech and hardware that strategic buyers want to own.

That supports liquidity, though it raises the question of whether more of these companies should remain independent and grow into major UK firms of their own.

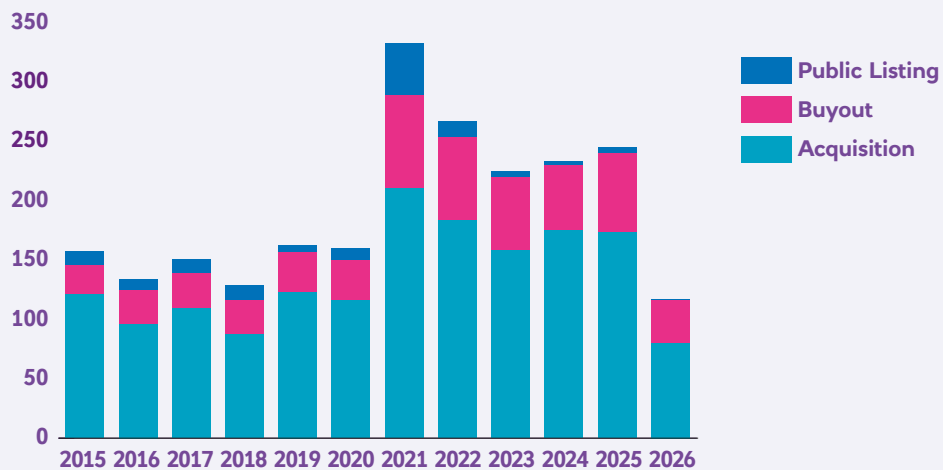
“The UK’s opportunity can be summed up in three words: capital, culture and customers. We need to continue providing founders with liquidity and growth capital at every stage of their journey, celebrate entrepreneurial success more loudly, and create more opportunities for innovative companies to win customers. Get those three things right, and the UK can produce many more globally significant technology businesses over the coming decade.”

**Neil Shah, Head of Tech Sector,
London Stock Exchange.**



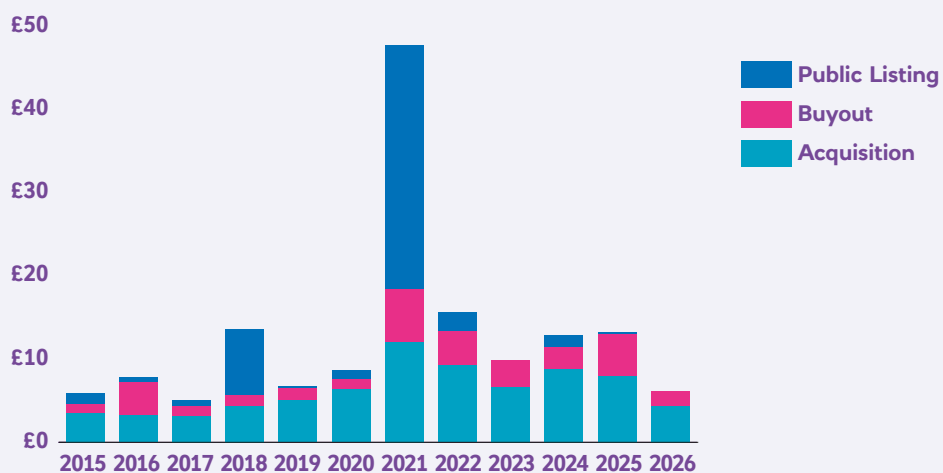
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UK VC exit count by type*



Geography: UK | Timeframe: 1/1/2015 – 10/08/2026 | *Data as of 10/08/2026

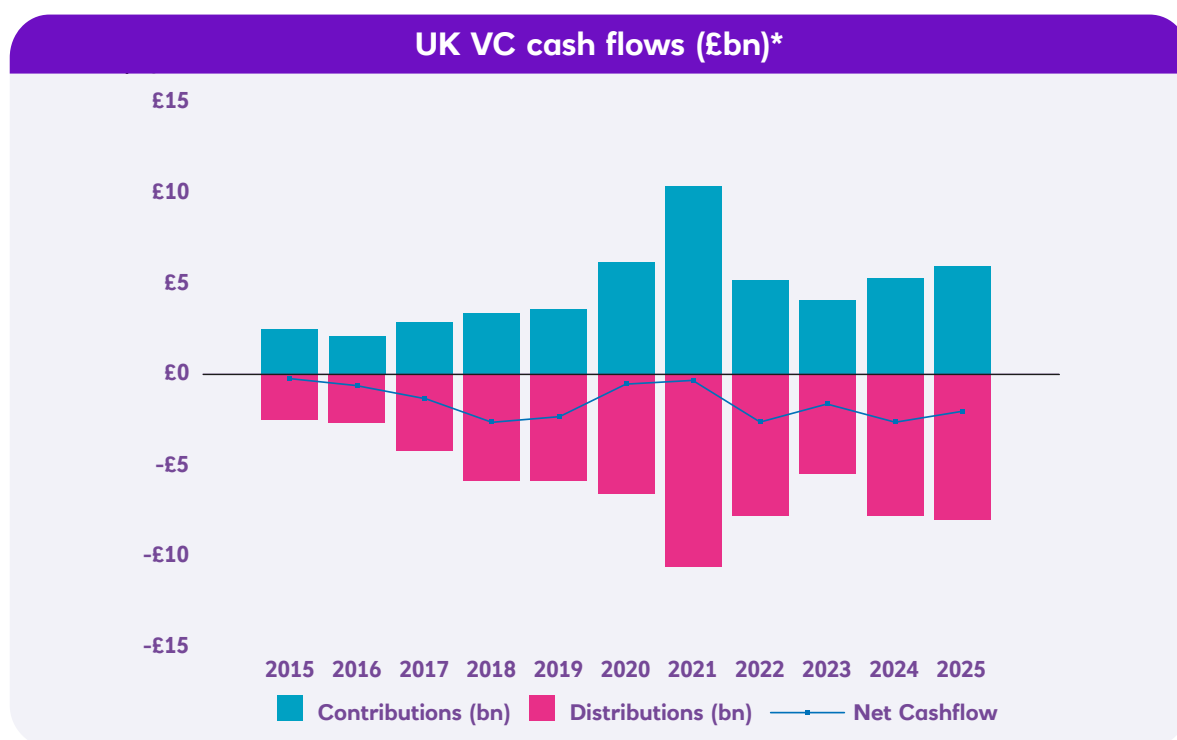
UK VC exit value (£bn) by type*



Geography: UK | Timeframe: 1/1/2015 – 10/08/2026 | *Data as of 10/08/2026



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Geography: UK | Timeframe: 1/1/2015 – 10/08/2026 | *Data as of 10/08/2026

Fundraising has thinned, even as distributions improve

Liquidity remains the primary constraint of the UK ecosystem, as is seen in many other areas worldwide.

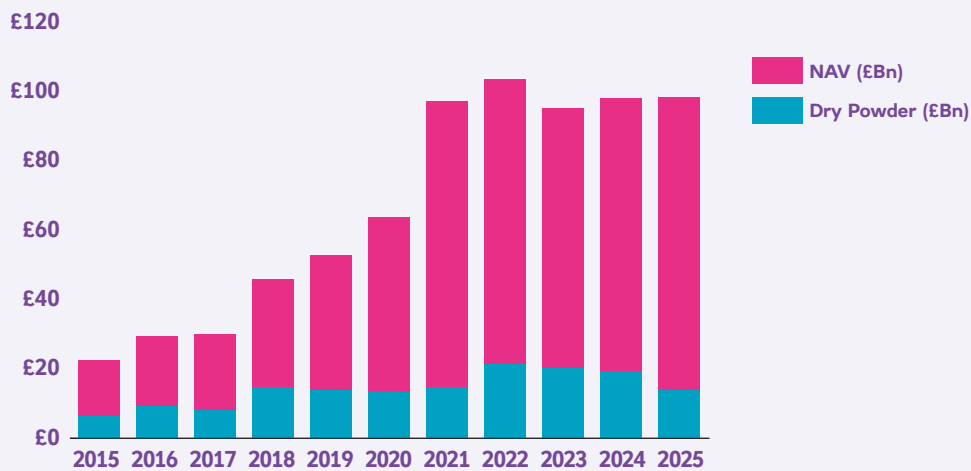
Distributions by UK VC fund managers to their investors have risen in recent years, even amid slowing exits, indicating that a cluster of firms has achieved liquidity, though the number is small. Net cash flows remain firmly negative, though, which is the main drag on new fundraising; dry powder is declining but still on par with

pre-2021 levels; and AUM has held steady. From a peak of 147 funds closed in 2022, commitments have trended lower. So far in 2026, nearly £4bn has closed, ahead of 2025's subdued £2.5bn, but that reads as an early and tentative improvement rather than a turn.



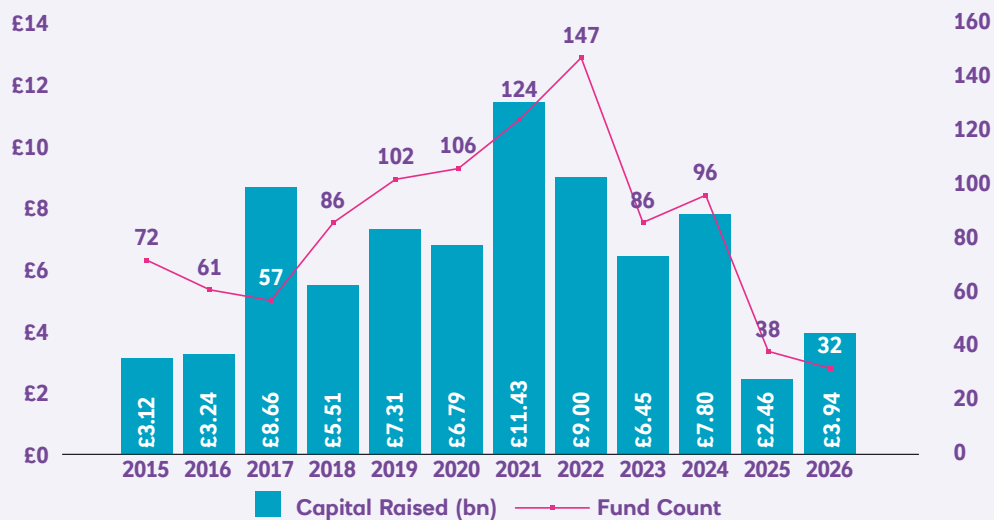
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UK VC dry powder (£bn)*



Geography: UK | Timeframe: 1/1/2015 – 10/08/2026 | *Data as of 10/08/2026

UK VC fundraising activity*



Geography: UK | Timeframe: 1/1/2015 – 10/08/2026 | *Data as of 10/08/2026



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Alternative liquidity is emerging, but it remains selective

With the listing environment remaining challenging for many and holds running to the end of fund life, managers are increasingly leaning on secondaries and continuation vehicles to generate the liquidity that exits are not providing.

The two do different jobs: LP-led secondaries let investors sell fund stakes for cash without waiting on a company exit, while GP-led continuation vehicles let managers hold their winners longer and still return capital to LPs that want out – the mechanism behind rising distributions even as exits slow. UK managers are not alone in this. North American GPs have turned to both, partly to return capital and partly to keep building value over longer holds.

However, the scale is modest and uneven. Evercore data shows that venture secondaries remain a small corner of a wider secondaries market, with Europe, the Middle East, and Africa accounting for roughly one-third of activity. The UK picture reflects this: Just one secondaries

vehicle has closed in 2026 to date, albeit it has raised more than all 32 venture funds combined. This concentration reflects the multipurpose appeal of these funds to PE rather than a structural shift in venture. That the tool is becoming permanent is clear from consolidation at the top of the market: EQT's agreement to acquire secondary specialist Collier Capital for up to £2.8bn – a global transaction – signals that the largest alternative investment firms now treat secondaries as a core capability rather than a cyclical work-around.

In the UK, secondaries and continuation vehicles are becoming fixtures of the liquidity toolkit, but for now, they are available only to managers that can access them.



The refill of domestic capital is underway but is only reaching managers at certain scales



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Among European and Asian venture markets, reliance on overseas capital is not unique to the UK. Building deeper, more consistent pools of domestic capital takes time and supportive regulation, and the UK has already been working at it for several years.

The 2023 Mansion House Compact, under which 11 pension schemes agreed to raise allocations to unlisted equities, is still gaining traction⁶ even as the British Business Bank's first external raise marks real progress.⁷

The wider public commitment to mobilising capital is broadening. Across the economy, the National Wealth Fund, British Business Bank, UK Export Finance, and Innovate UK have together mobilised at least £50bn over the past two years to back businesses, projects, and exports.⁸ Within that, the British Business Bank is now the largest investor in UK venture and venture-growth funds, seeding new managers and co-investing alongside them.

The ecosystem that these flows support remains in good health. The UK is still producing companies of global standing, and its active unicorns have risen from 33 to 41 over the past year. As noted above, a commanding set of companies – including PhysicsX, CuspAI, Cambridge Aerospace, and others spanning technically complex, ambitious industry segments such as quantum computing, cybersecurity, AI enterprise applications, and compute – have successfully raised hundreds of millions of pounds.

Beyond such deep tech categories, other businesses, such as Dexory, which creates autonomous warehouse robotics, or Kraken Technology Group, which makes maritime systems, also closed on successful fundraises among the largest so far this year.

Despite a volatile market environment, founder teams and companies can still successfully court capital, drawing on talent from leading universities to tackle frontier technological challenges. The task now is to reconnect the capital cycle so that returns reach investors and recycle into the next generation of founders.

“The UK is already a fertile hub of innovative founders and companies that can compete with the best in the world. The next step is to create genuinely scaled pools of domestic capital that can support these companies as their funding needs grow. Global capital will remain a major strength, but deeper UK participation would give the market greater resilience and help more businesses start, scale and stay here, in turn driving growth in the real economy.”

Harry Raikes,
Head of UK Venture Investments,
Schroders

⁶ “Mansion House Reforms,” APPG for Entrepreneurship, Chris Elphick, n.d., accessed 19 August 2026.

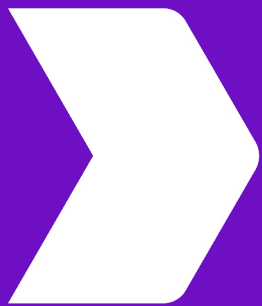
⁷ “Three UK Pension Funds Invest Into UK Venture Capital Through British Business Bank,” British Business Bank, 1 April 2026.

⁸ “Public Bodies Mobilise £50 Billion to Drive UK Economic Growth and Support Over 802,000 Jobs,” National Wealth Fund, 16 July 2026.





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Important Information

Standard PitchBook report methodologies will apply unless otherwise noted.

PitchBook has defined a new class of venture-backed startups – venture growth – as VC dynamics have evolved, like companies staying private for longer and sourcing capital from private instead of public markets. They are a subset of late stage start ups that have received financing beyond the typical Series D rounds, they have closed series E or later financing and are further defined by following characteristics: age, number of VC rounds, company status and participating investors.

Cross-border deals are classified as deals with at least one non-domestic investor participating. Non-domestic investors are determined based on the location of the investor's headquarters. For the purposes of this report, they are defined as firms headquartered outside the UK.

Fundraising figures are based on the location of the fund rather than the location of the investor. While the compiled data underlying the featured graphs and report analysis concludes at 10 August, 2026, quarter-end figure comparisons will show marginal differences and do not impact the report's overall conclusions.



Reports are prepared in accordance with PitchBook's methodology, which is described in detail on the [PitchBook report methodologies page](#).

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