PENNINGTONS MANCHES COOPER

BeauhurstInsights

State of UK first-time investment 2026

Contents

Foreword

> "The region and sector in which a company raises its first round of equity are among the clearest early indicators of where the UK's next generation of innovative businesses is emerging."

This report marks the second collaboration between Penningtons Manches Cooper and the Beauhurst Insights team, following Investment into Spinouts 2026 earlier this year, and turns that same lens onto the wider UK first-time equity market.

A first-time round is rarely just a funding event. It is the point at which a company takes on external shareholders and begins operating under the reporting and compliance obligations that come with outside capital, which is precisely where legal advice earns its place. A market raising more first rounds each year is, by extension, a market generating more of that advisory demand, and this report sets out where.

For a firm advising companies and investors across the country, knowing which regional ecosystems are forming, and which are consolidating, shapes our understanding of the market and client needs and where instructions are likely to originate next. London accounted for 49.1% of first-time deals in 2025, yet for the first time since 2022 more first-time fundraisings were completed outside the capital than inside it.

This report looks beneath the regional headline to the level of individual local authorities and, within London, individual boroughs, tracking how activity is moving from established markets such as Westminster and the City of London towards emerging clusters including Camden, Hackney and Islington, and how cities such as Birmingham, Edinburgh and Manchester are each building a position in different ways.

Sector breakdowns matter for the same reason. The largest industries by fundraising count are not always the fastest growing, and the largest by value are not always the deepest by pipeline. This report sets out both counts and values by industry, so that a rising number of first-time deals in a sector such as risk and compliance, or a concentration of capital in Life Sciences and energy around a small number of large rounds, can be read correctly rather than assumed from headline totals alone.

Artificial intelligence (AI) earns its own dedicated section because it now sits apart from the rest of the market on almost every measure in this report. UK AI companies raised £1.45bn in first-round equity in 2025, up 115% on 2024, taking AI's share of first-time equity value from 17.0% to 32.9% in a single year, and that share rose further to 58.6% by the first half of 2026.

Within AI's established core, first-time deal values are beginning to cluster rather than being set by the odd outsized round, evidence of a market now competitive enough that no single deal needs to be large to secure a position. The sharper growth is turning up furthest from the obvious ground, in fields such as biometrics, loans, debt and grants, biotechnology, and preventive care, a reminder that the technology's reach now runs well beyond the companies most readily labelled "AI".

Taken together, the report describes a UK first-time deal market operating at one of its strongest points in recent years, reaching more companies, more regions and a wider spread of sectors than it has for some time. The result is a broader pool of newly funded companies now beginning their scale-up journey, and the analysis that follows sets out where that growth, geographic, sectoral and AI-led, is actually landing.

Will Axtell
Partner
Penningtons Manches Cooper

First-time equity investment landscape

Both the number of UK companies raising equity for the first time in 2025 and the total amount raised rose in 2025. Compared with 2024, the number of first-time deals increased by 29.9%, and the amount raised by 11.7%.

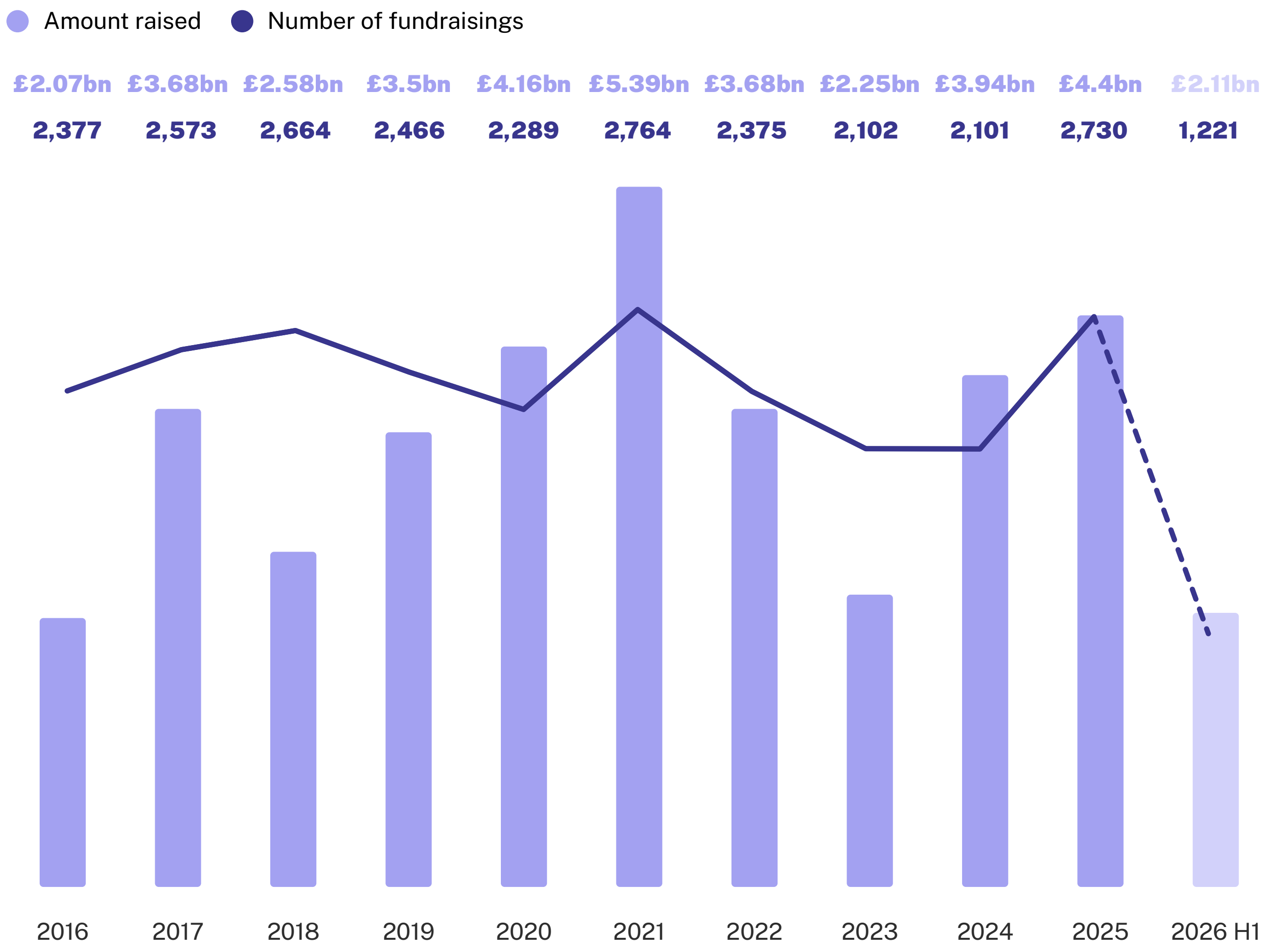
A likely driver was the favourable market conditions in 2025. Lower inflation levels led the Bank of England to cut the UK interest rate from 5.25% in August 2024 to 3.75% in December 2025. This lowers the cost of borrowing and leveraging investments into companies, and supports investor appetite.

A mega round in 2025 included £445m raised by Fidra Energy. It represents over 50% of first-round investment into clean energy in 2025. Fidra Energy's raise alone accounts for £445m of the £460m rise in first-time equity value between 2024 and 2025, which is why the average and median tell different stories about what a typical company raised.

The increase in equity appears to continue into the first half of 2026, with deals at a level similar to H1 2025. The largest deal was £814m raised by Ineffable Intelligence to establish its AI lab, representing 38.6% of first-time deals in H1 2026. This positions the UK first-time equity market well to continue the growth seen in 2025, although recent developments raise doubts about whether that pace will hold. Reports suggest that ongoing geopolitical uncertainty will slow UK economic growth and put renewed pressure on inflation, which would work against the conditions that supported activity through 2025.

First-time fundraisings increased by 29.9% in 2025 compared with 2024 levels

01 Amount of equity raised and number of first-time equity deals (2016 - H1 2026)



Average and median first-time deal value

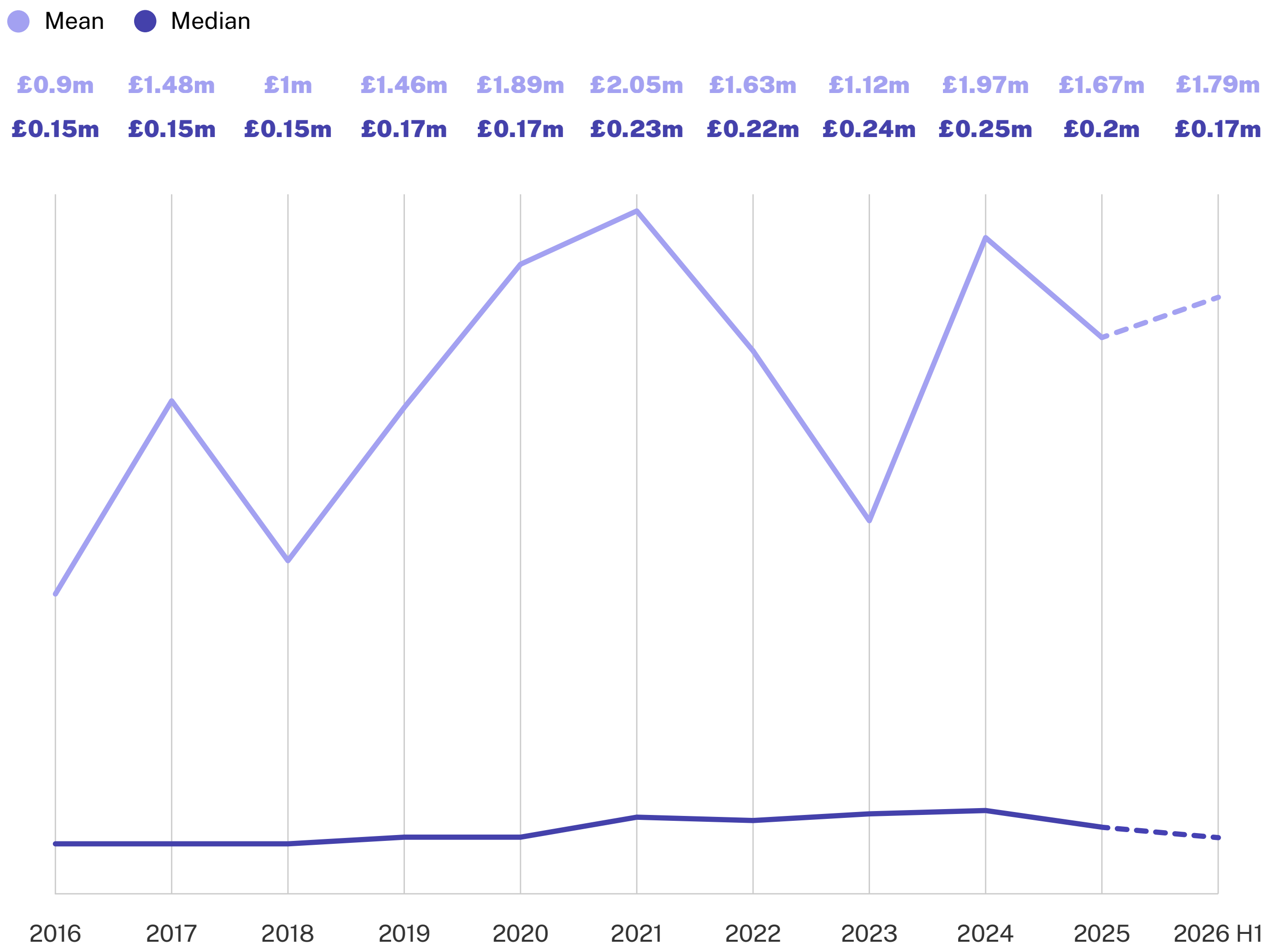
The amount investors are putting into first-time deals is falling across the market. The average first-time fundraising fell to £1.67m in 2025 from £1.97m in 2024, suggesting lower valuations at entry, alongside a 29.9% rise in the number of companies backed. As expected, median pre-money valuations for first-time raisers fell 20.3% to £1.53m in 2025, from £1.91m in 2024. In H1 2026, this has dropped further to £1.45m. So investors acquiring a given stake are committing less capital.

The dip was not universal across industries, but the median for most industries decreased. The industries that challenged this trend were those with the potential to raise first-time rounds exceeding £100m. In 2025, AI companies saw a 52% increase in the mean fundraising amount, and energy companies saw their average round more than treble. Both means were inflated by single rounds, £464m raised by Isomorphic Labs (an AI company) and £445m by Fidra Energy. However, the median company in AI and energy raised 19% and 11% less than in 2024, respectively.[2] Therefore, even in the most valued industries, the typical company raised equity on similar terms to the wider market.

Taken together, more companies are getting funded, and falling inflation may be supporting that activity, but outside a small cohort of high-profile AI and Energy deals, investors are paying less for any given stake than they were in 2024.

The average first-time fundraising fell to £1.67m in 2025 from £1.97m in 2024, with the median down 20% to £200,000

02 Average and median first round of equity raised by UK companies (2016-H1 2026)[1]



1 The average first round equity only includes the rounds where the value of the amount raised is known.
2 The median reflects the amount a typical company raises in the industry and is not inflated by large single rounds.

Geographic distribution of first-time deals

The lower median valuations appear to have reopened the market fastest outside of London. In 2025, more first-time fundraisings were completed outside the capital than inside it for the first time since 2022. First rounds rose 33.2% outside of London, against 27.2% inside.

London recorded 49.1% of the UK first-time deals in 2025, four times the South East and more than the rest of the UK combined outside those two regions. That scale means every sector's pipeline runs through the capital: even in life sciences, where the East of England hosts a large regional concentration, London completed roughly twice as many first rounds.

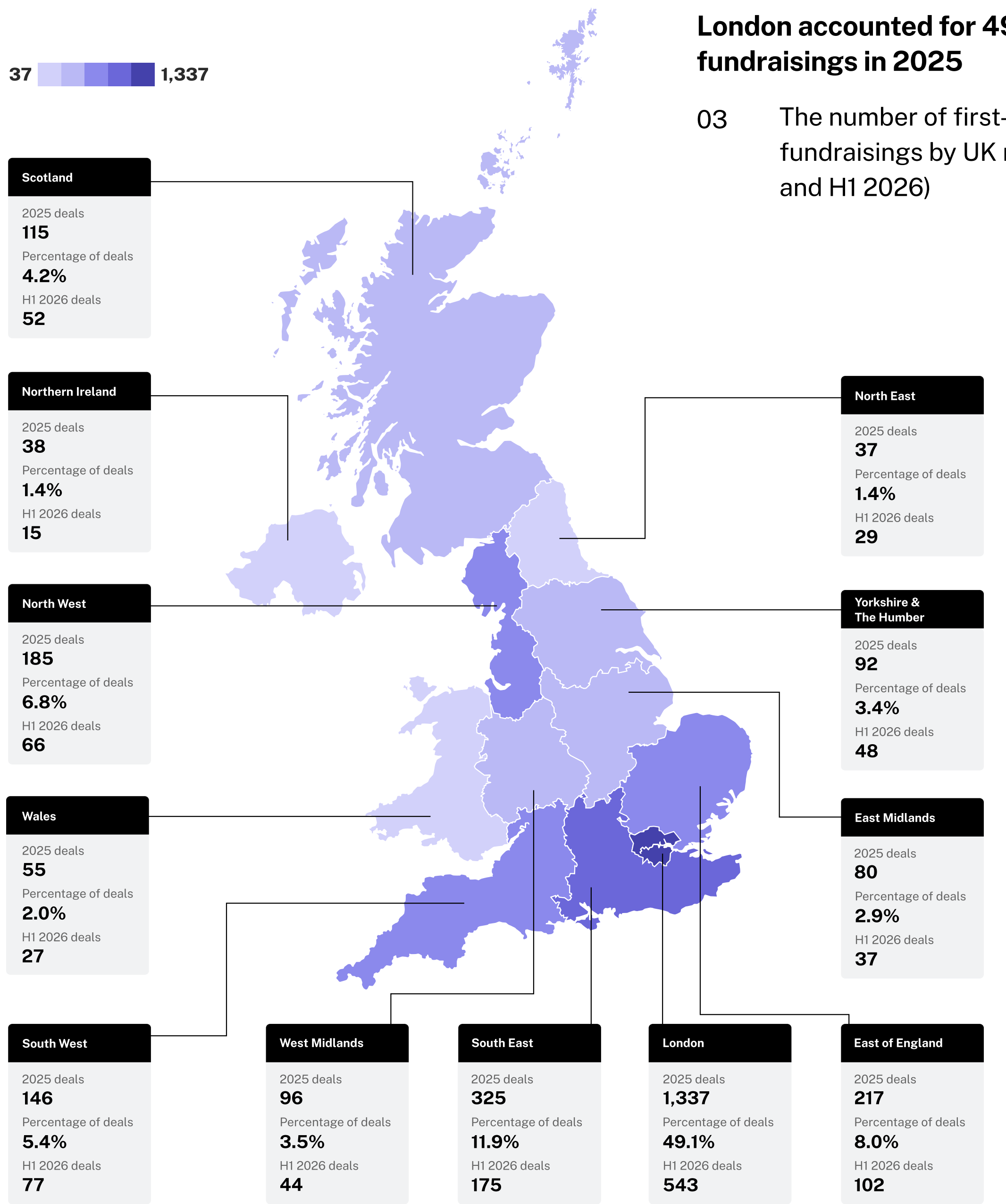
Below that, the distribution flattens, with six regions sitting between 80 and 185. The gap between the fourth-placed and tenth-placed regions is narrower than the gap between London and second place. This may reflect differences in industry identity, including advanced manufacturing across the Midlands and Yorkshire, and clean energy in Scotland

Growth was fastest outside London. The West Midlands nearly doubled its first-time fundraisings, up 95.9%, Northern Ireland grew 72.7%, and Scotland grew 59.7%, all outpacing London's 27.2% rise. These regions are building their pool of newly funded companies fastest relative to their existing size and will need the right support to reach their full potential.

In H1 2026, companies outside London accounted for 55.3% of UK first-time rounds, as London's share fell to 44.7%. This suggests the regional rebalancing seen through 2025 is deepening rather than levelling off.

London accounted for 49.1% of first-time fundraisings in 2025

03 The number of first-time equity fundraisings by UK region (2025 and H1 2026)



Note: Key based on 2025 data

Outside London, individual fundraisings can dominate a region's equity total, so the headline figure does not always reflect the depth of the wider market. The strength of the pipeline behind these deals also varies significantly by region.

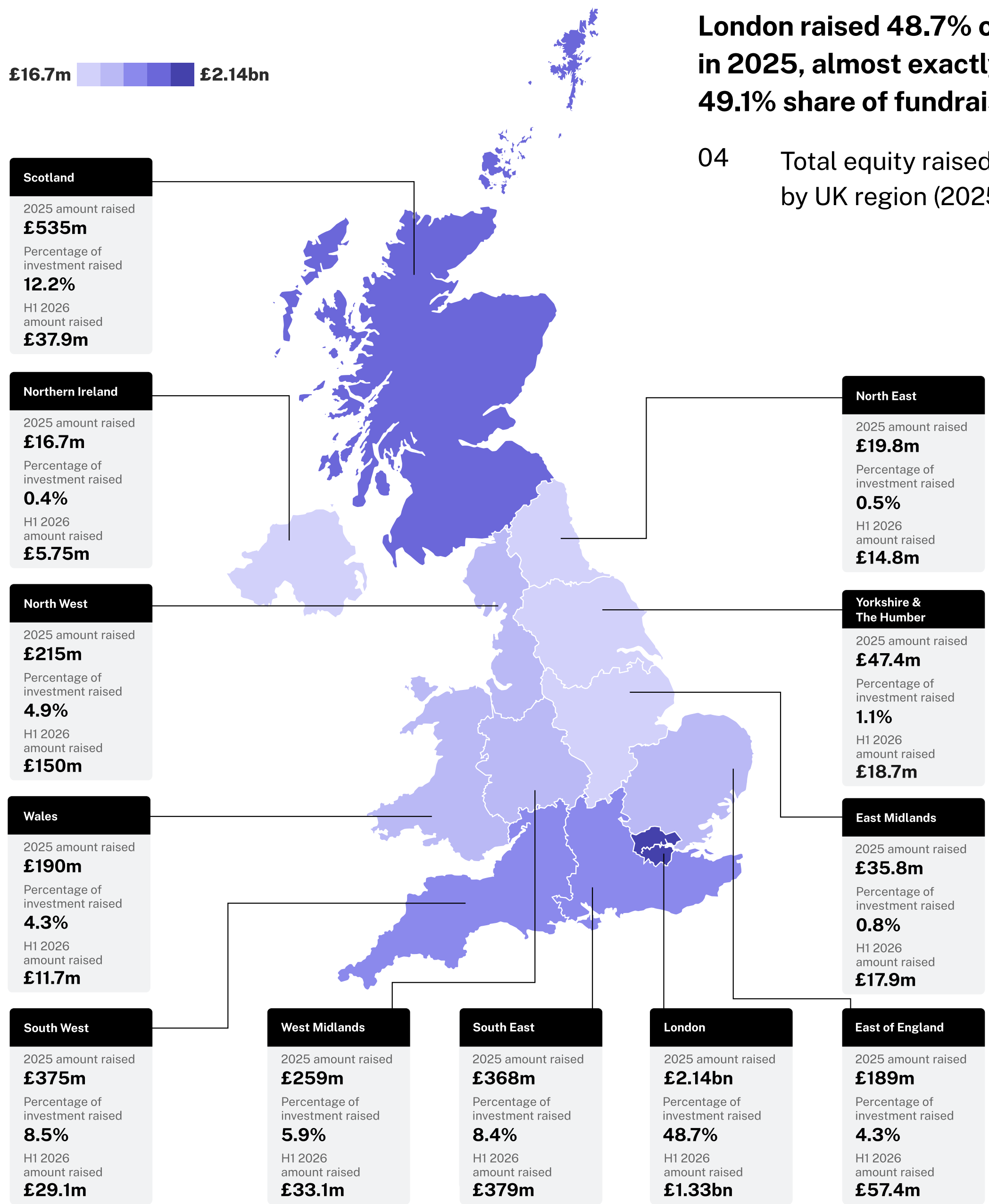
Fidra Energy's £445m accounts for 83.1% of Scotland's £535m, and occurred in the region's densest first-round industry. Scottish companies completed 19 energy fundraisings in 2025, a share of its first rounds more than double the UK rate. Draig Therapeutics' £107m accounts for 56.3% of Wales' £190m on a life sciences pipeline of just five deals, and Joblogic's £100m, in AI, is 38.6% of the West Midlands' £259m.

London is the exception. Its shares of 48.7% equity and 49.1% of deals are within half a percentage point of each other, and first-round capital raises were no larger on average than elsewhere, at £1.64m against £1.71m across the rest of the UK. London's advantage appears to lie in the number of companies reaching the market rather than in the terms they secure.

Regions with fewer fundraisings can and do post higher equity totals when a single large round lands. Scotland's total rests on an industry pipeline, while Wales' and the West Midlands' rest on single companies. The trend continues into the first half of 2026, where the South East and North East each have a single round accounting for between 60.9% and 84.4% of first-round equity raised.

London raised 48.7% of first-time equity in 2025, almost exactly matching its 49.1% share of fundraisings

04 Total equity raised in first-time deals by UK region (2025 and H1 2026)



Note: Key based on 2025 data

Birmingham and Edinburgh saw growth in deal count and average deal value over the last 12 months (H2 2025 - H1 2026) relative to their 2023-2025 baseline, with Birmingham reaching 33 deals and Edinburgh 40, building a genuine pool of newly funded companies that have been raising above-average first-time rounds rather than simply benefiting from a lower entry price.

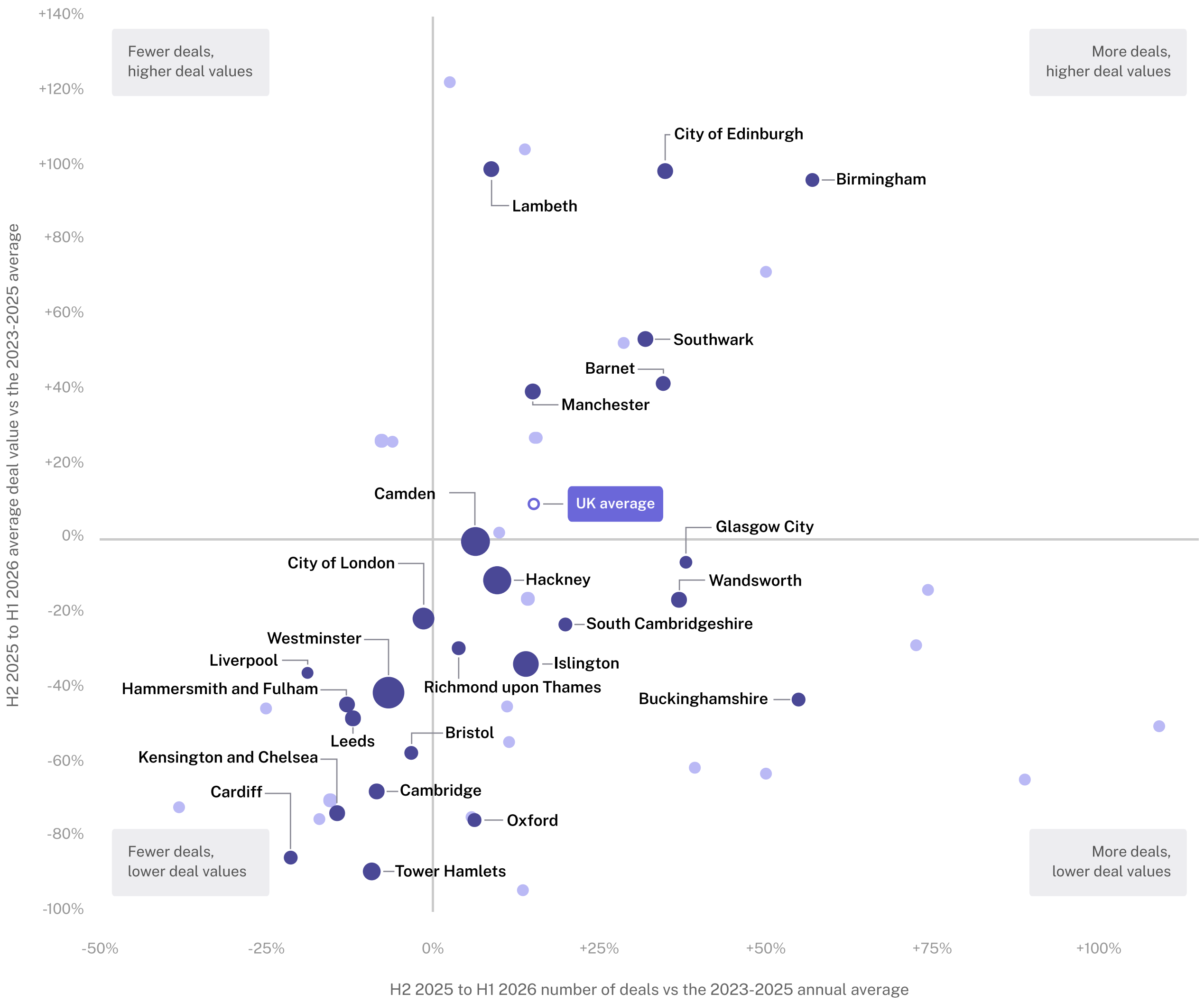
Manchester is the only other market outside London with a notable deal count nationally, compounding on both measures. Its 46 deals in the last 12 months rank seventh nationally, the largest first-time count of any area outside London, behind only Westminster, Camden, Hackney, Islington, City of London and Southwark, and its average deal value is rising too. This points to an ecosystem that is not simply forming, as Birmingham's and Edinburgh's are, but consolidating an established position.

Buckinghamshire shows a different kind of growth, more companies raising at a lower average value each. The underlying deals showcase this, with 24 of the 31 first-time rounds recorded in the county over the period being seed-stage, the largest just £2.2m, highlighting a broad base rather than a single large round. SaaS and Life Sciences together account for 35.5% of its deals.

London's overall share held up in Figure 3 and Figure 4, but activity within the capital has shifted. Deals and value have both fallen in Westminster and the City of London, the two most established markets, as first-time activity redistributes toward Camden (185 deals), Hackney (159) and Islington (149), which now rank 2nd to 4th nationally. Office space runs cheaper across all three than in Westminster or the City, which is likely a contributing factor. All three host an innovation cluster, with Hackney and Islington sitting either side of Tech City, while Camden's centres on King's Cross, home to Google's UK headquarters and the Knowledge Quarter.

Birmingham and Edinburgh are raising more deals at higher average values

05 Number and average value of first-time deals in local authorities 12 months leading up to H1 2026 compared to the last three years (2023 - 2025)



Note: Size of the bubble represents the number of deals; the larger the bubble, the more deals.

First-time deals by industry

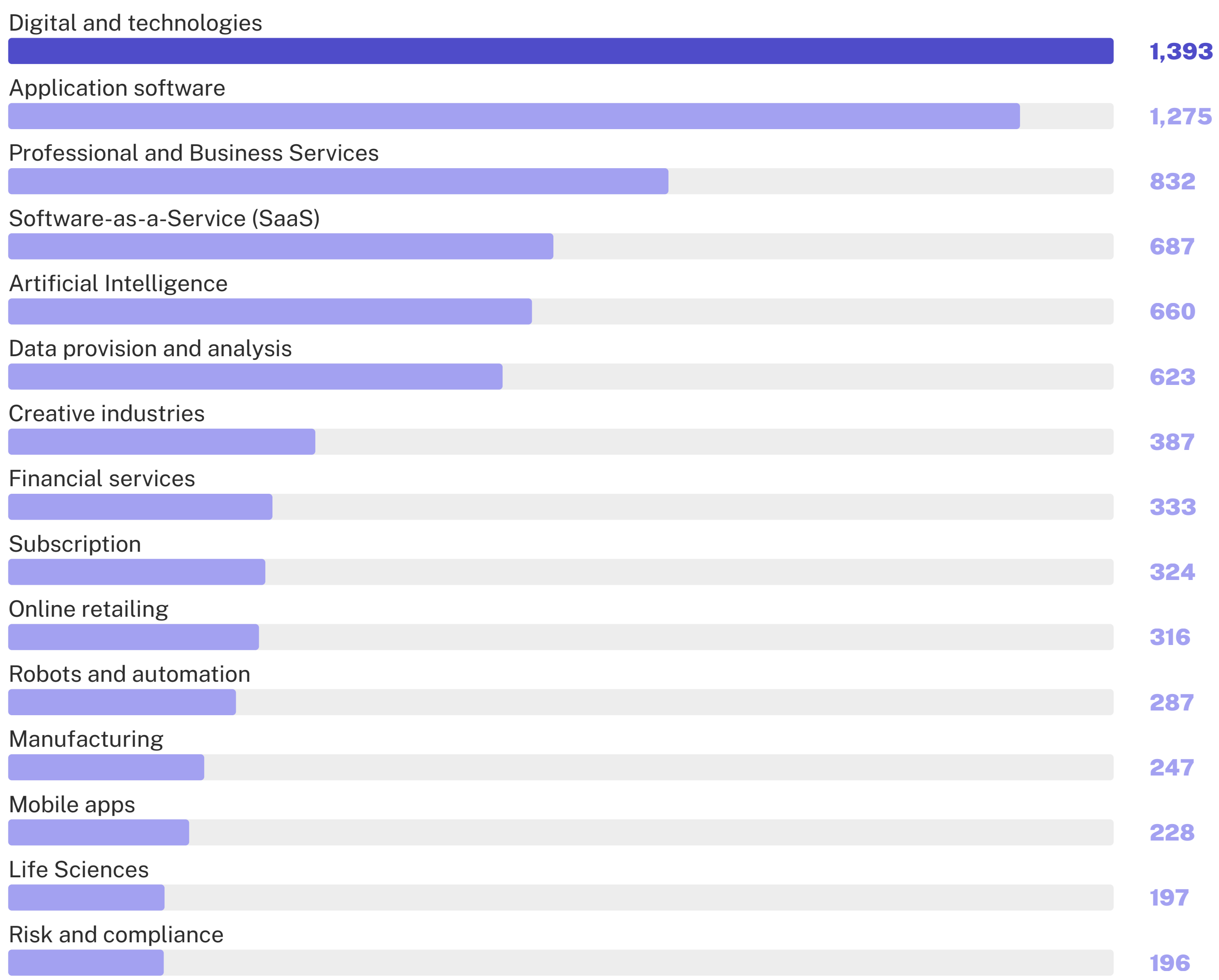
The industry ranking partially reflects accumulated scale and established funding pathways rather than simply new companies raising equity in these industries. In a year that has seen 29.9% more companies raise their first round than in 2024, the largest industries have not seen the highest growth rates. Application software grew 22.1%, from 1,044 to 1,275 fundraisings, and Digital and Technologies grew 19.8%. The fastest-growing classifications sat lower down the list, led by robots and automation, which doubled from 141 to 287. Their positions reflect inherited scale rather than momentum.

Both robots and automation, and risk and compliance, are among the classifications most frequently paired with AI, and grew 103.5% and 73.5% respectively in 2025. This suggests the market widened along the lines of AI applicability rather than spreading evenly across industries. The trend has held into 2026, with robots and automation recording 195 deals in the first half of the year alone, almost 70% of 2025's full-year total.

Life Sciences companies raised 197 first equity rounds in 2025, effectively level with 2024 against a market up 29.9%. Typical first rounds in the sector are among the largest in the ranking, and lower entry pricing does the least for companies that must raise the most. H1 2026 data confirms Life Sciences is holding at this level: 98 deals so far, just under half of the 2025 total.

The largest industries grew slowest in 2025, with first-time fundraisings in robots and automation doubling while application software rose 22.1%

06 Top 15 industries by number of first-time equity fundraisings (2025)



Note: Beauhurst attributes companies with every industry which they operate within, so classifications are not mutually exclusive.

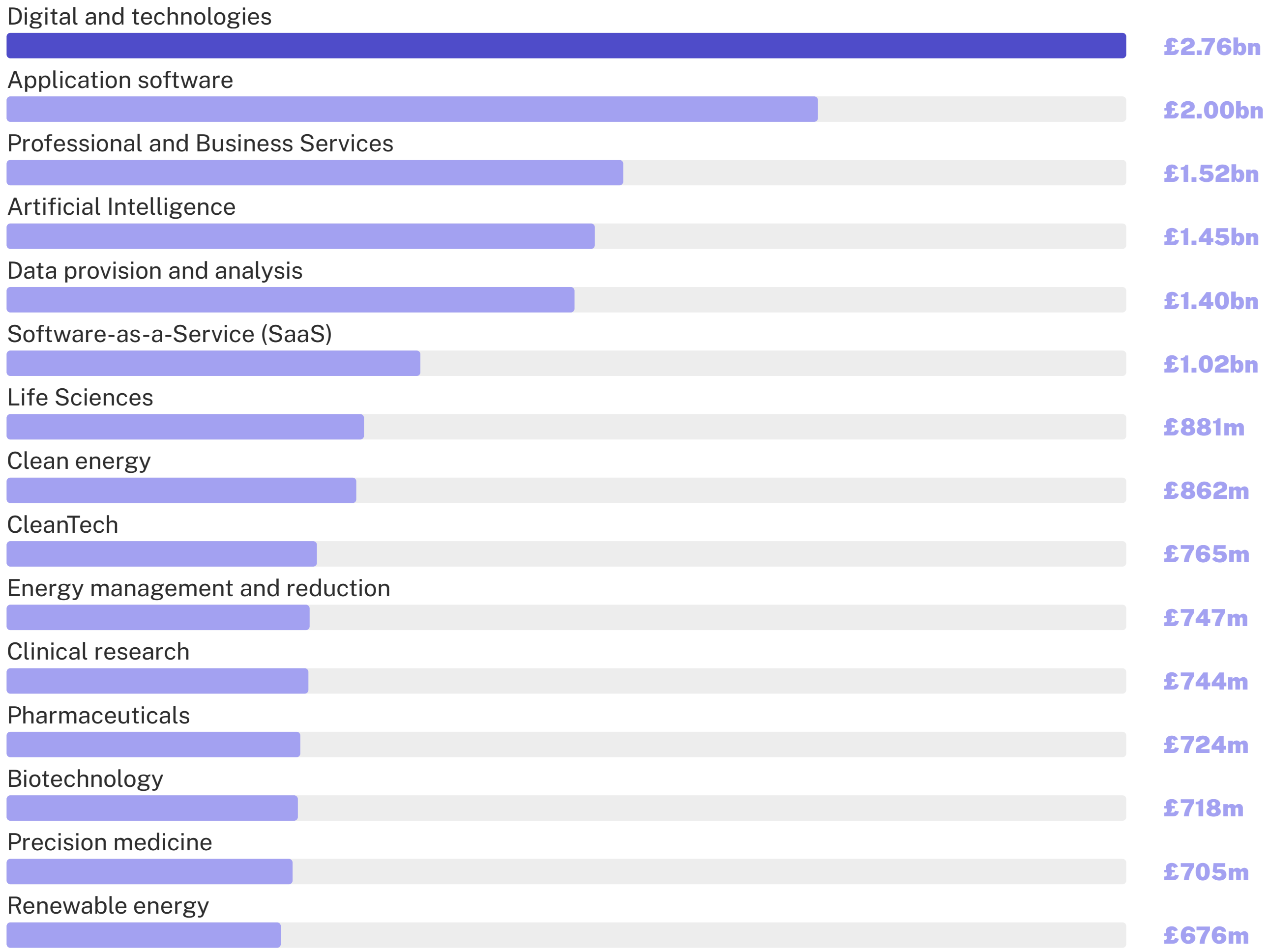
Eight of the top 15 industries by first-time equity value are sub-classifications of just two broad sectors, Life Sciences and Energy, and their positions rest on a single outsized round rather than a deep pipeline of equity-raising companies. Isomorphic Labs' £464m accounts for over 97% of the equity recorded against pharmaceuticals, biotechnology, clinical research and precision medicine, and Fidra Energy's £445m accounts for a similar share of the energy classifications.

Both sectors have a genuine second tier behind the headline round. Draig Therapeutics raised £107m in Life Sciences and Low Carbon £100m in energy, each roughly a quarter of the top round's size, and the clear second largest ahead of Elevara Medicines' £54.2m and Gordon Murray Design's £88.9m respectively. However, beyond these large rounds, both sectors settle into fundraisings of a similar scale to the wider market, with medians of £316k and £285k.

H1 2026 is starting to tell a different story, with the Life Sciences and Energy sectors less prominent in the equity rankings due to small rounds, but AI has secured 84.8% of its 2025 value, with £1.23bn raised so far.

Eight of the 15 largest industries by first-time equity in 2025 do not appear in the top 15 by fundraising count

07 Top 15 industries by first-time equity fundraising (2025)



Note: Beauhurst attributes companies with every industry which they operate within, so classifications are not mutually exclusive.

AI first-time equity investment landscape

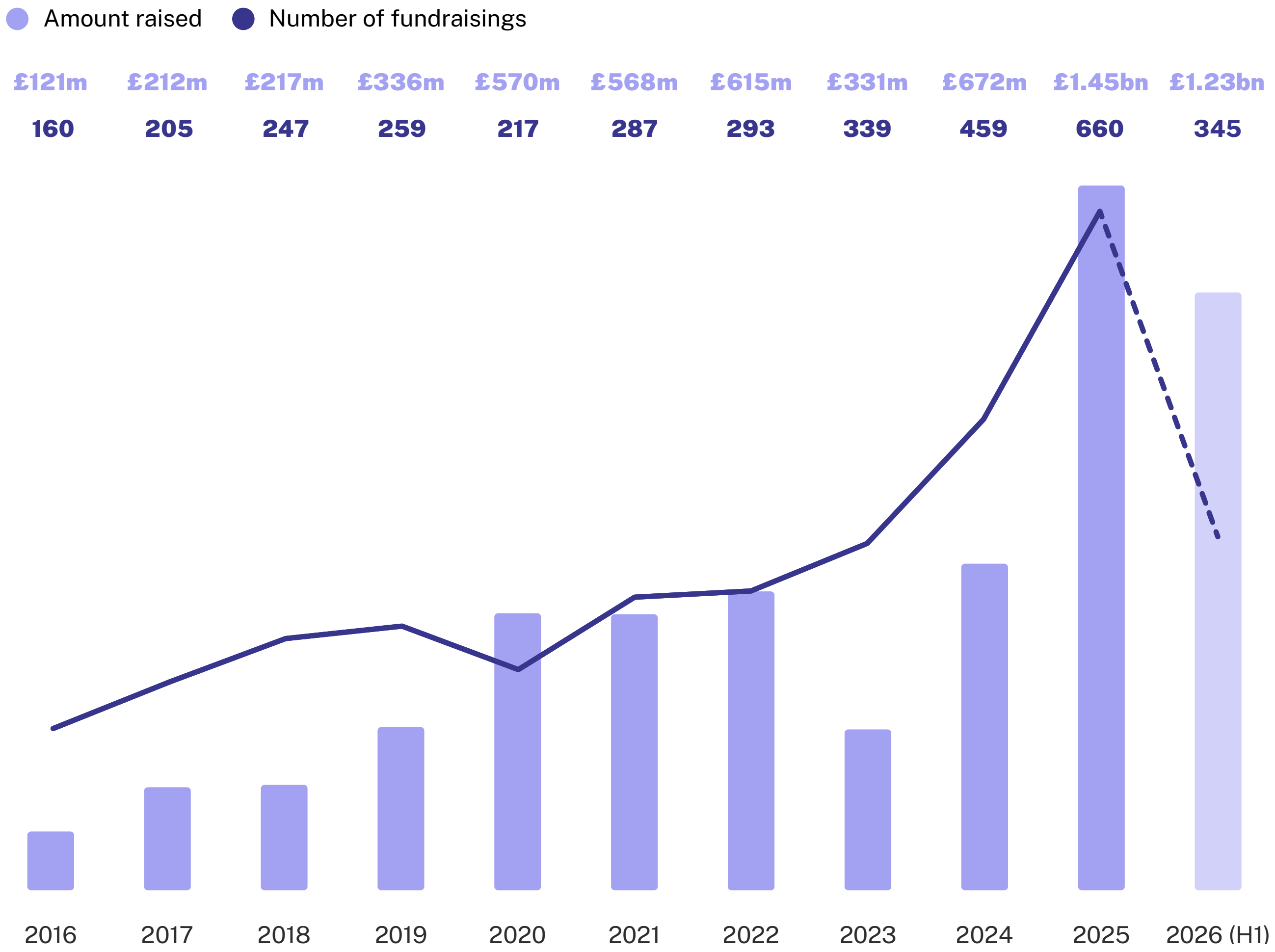
AI was the largest single contributor to the wider market's growth in 2025. Equity into non-AI first-time companies fell 9.7% compared with 2024, while AI more than doubled. AI's share of first-time equity rose from 17.0% to 32.9% in a single year, against 5.8% in 2016 and 10.5% in 2019.

That growth is not a single-year event. Equity into AI first-time companies has more than doubled in each of the last two years, up 103% in 2024 and 115% in 2025, the only back-to-back doubling anywhere in the series. Fundraising counts rose alongside it, but far more evenly, up 35.4% in 2024 and 43.8% in 2025, so the acceleration sat mainly in the size of the rounds rather than the number of companies reaching them.

Momentum has carried into 2026. In H1 2026, UK AI companies raised £1.23bn, taking AI's share of first-time equity raised to 58.6%, on a stronger base of 345 fundraisings. Investors putting fresh capital into newly formed UK companies are now doing so mostly, and increasingly, in AI.

UK AI companies raised £1.45bn in first-round equity in 2025, up 115% on 2024, and now account for almost a third of the value raised in UK first-time equity

08 The total number and amount of first-round equity raised by UK AI companies (2016-H1 2026)



AI's share of first-time deal count

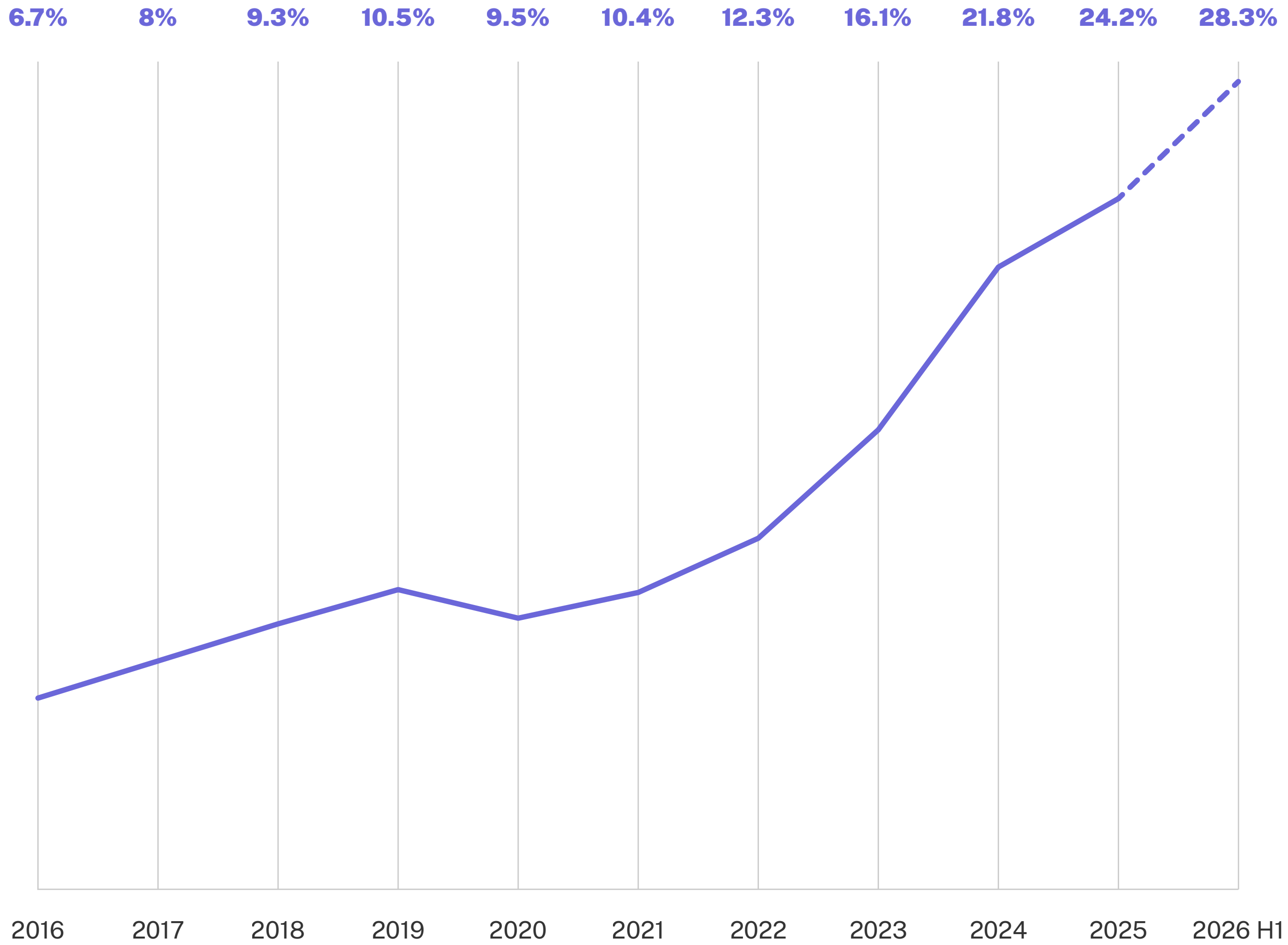
First-time fundraising rose by 629 in 2025 against 2024. Of this, 201 were AI deals and the non-AI count was 428, so a third of the year-on-year increase sat in AI, above AI's 24.2% share of the market overall.

That increase was not spread evenly by company age. A third of companies under a year old raising their first round in 2025 carried an AI classification, against 7.4% of those five years or older, a gap that has widened from nine points in 2016 to 25 points in 2025. AI is disproportionately seen among the youngest companies entering the market, not just all first-time fundraisers.

Cheaper entry pricing lowered the bar for every kind of company in 2025, and the companies most able to clear a lower bar quickly, having existed for the shortest time, were increasingly AI companies. The market's growth, the youngest cohort's growth and AI's growth are all overlapping trends in the 2025 market.

AI accounted for a third of the year-on-year rise in first-time fundraising rounds in 2025, and that growth was concentrated in the youngest companies reaching the market

09 The share of first-time equity deal by AI companies compared to first-time total deals (2016-H1 2026)



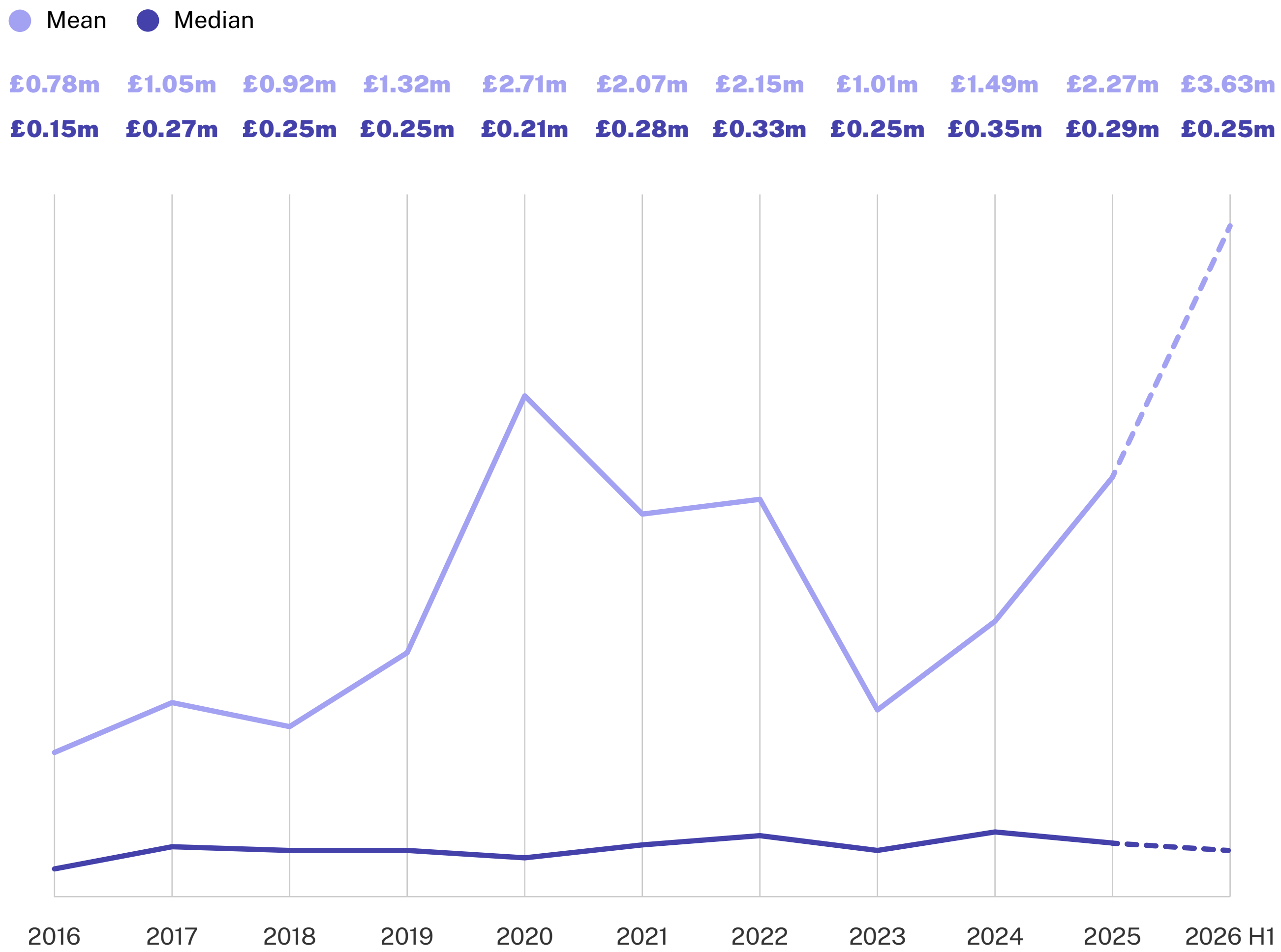
Average and median first-time deal value: AI

Isomorphic Labs' £464m fundraising lifted the AI mean to £2.27m in 2025, excluding it the average would fall to £1.54m, a gap of just 4% on the £1.48m non-AI market. Ineffable Intelligence's £814m did the same in H1 2026, taking the mean to £3.63m, and without it the gap to the non-AI market fell from more than double to 18.5%.

The median removes this large round bias. The typical AI company has outraised the typical company across the entire market every year since 2017, at a premium ranging from 4% to 80%. The consistency of the median across the entire period, with an eight-year AI premium, reflects its reliability as a measure. The typical AI company consistently commands a premium on non-AI companies, but the premium may not be as large as expected.

A single fundraising raised the mean of the AI market in both 2025 and the first half of 2026, and neither reflected what a typical AI company raised

10 The mean and median first-time equity deals for AI companies (2016-H1 2026)



Geographic distribution of first-time AI equity investment

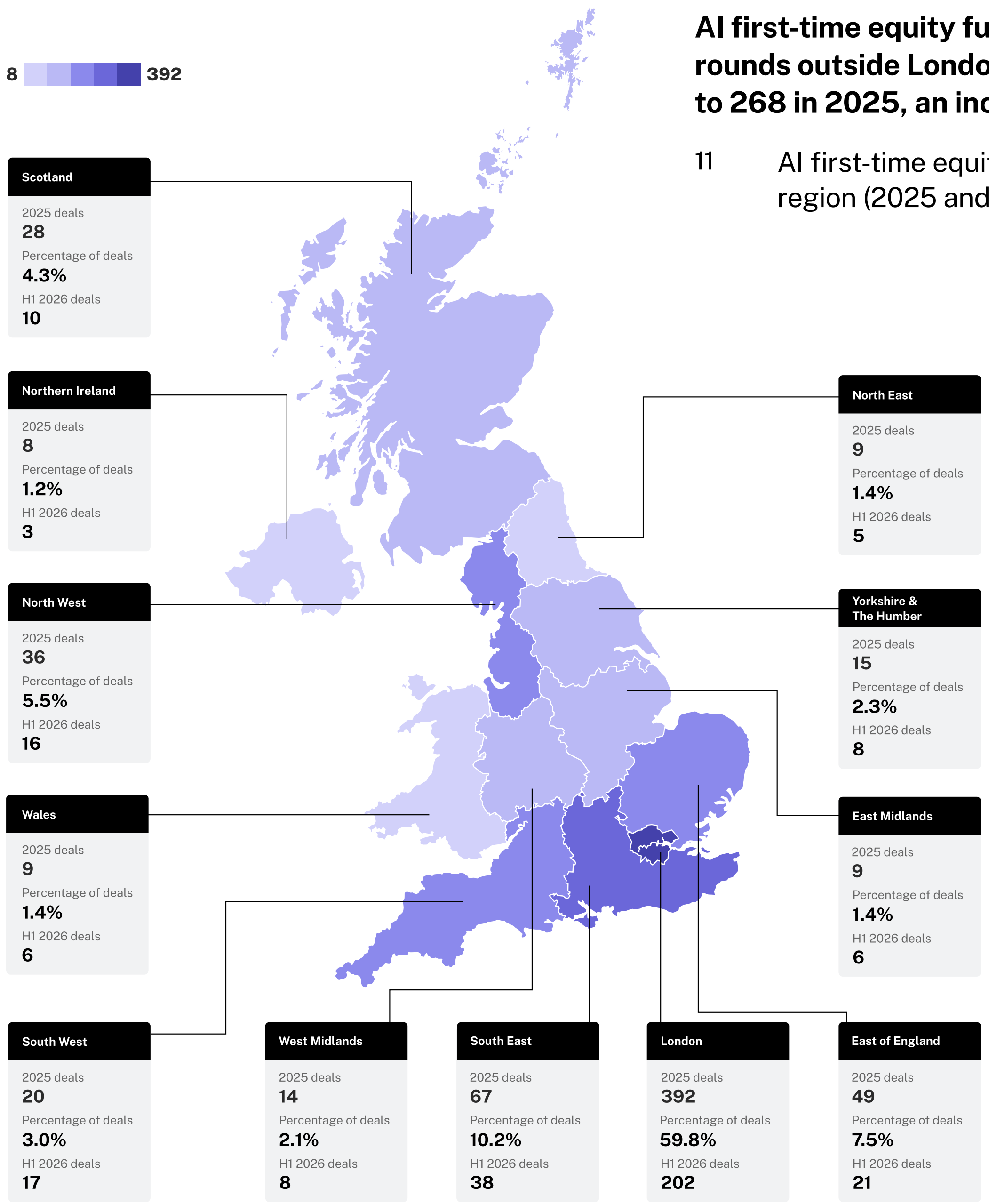
London still completed more AI first rounds than the rest of the UK combined, at 392 against 268. The capital's 59.8% share of AI fundraising rounds ran 10.7 percentage points ahead of its 49.1% share of the whole market. This reflects the concentration of investors and support services for technology companies within the capital.

In several regions, AI grew faster than the region's wider growth. The number of AI companies raising equity for the first time in Scotland rose 600% compared with 2024, and the wider market grew by 59.7%. East of England's AI fundraising rose 96.0%, against 40.9% growth in its market. The East of England was led by rounds including £12.0m for BitradeX in April 2025 to develop its AI strategy labs project.

That gap widened in the first half of 2026. London's share of AI first rounds was 59.4%, while its share of the overall market fell to 44.7%, increasing the gap to 14.5 percentage points. First-time fundraising has broadened across the UK over the past decade, and AI has followed in some regions but not all, leaving the potential for other regions to catch up.

AI first-time equity fundraising rounds outside London rose from 169 to 268 in 2025, an increase of 58.6%

11 AI first-time equity deals by UK region (2025 and H1 2026)



Note: Key based on 2025 data

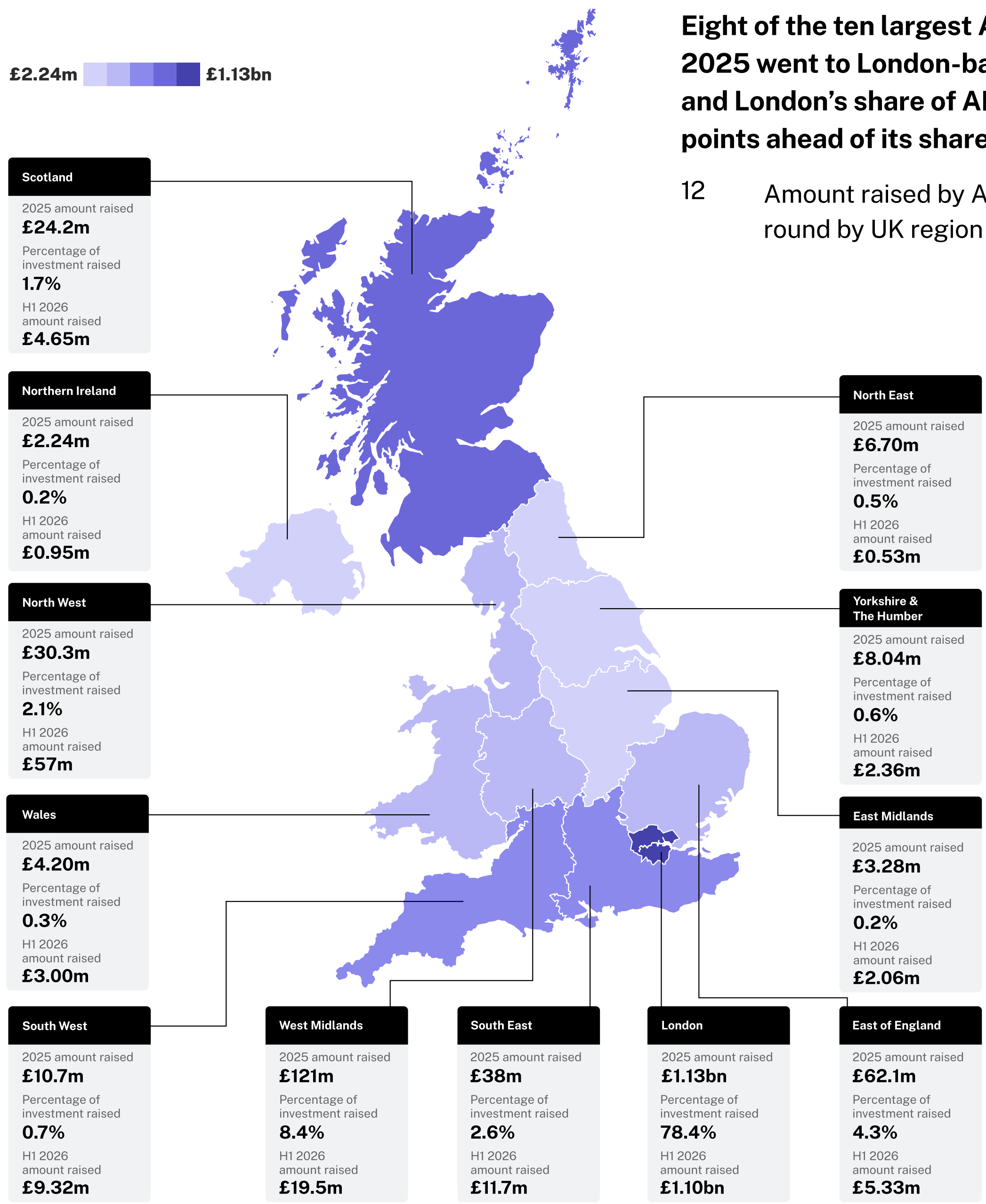
The regional distribution of first-round AI capital follows where the largest raises are agreed. In 2025, that meant London: eight of the top ten AI first rounds went to capital-based companies, and its equity share ran 18.7 points ahead of its share of rounds, against a gap of just 0.4% across the wider market. This reflects where the biggest AI rounds were negotiated, not any shortage of first-time AI companies elsewhere.

Market-leading rounds outside London remain rare but not unprecedented. Joblogic, a West Midlands AI business management platform, raised £100m in 2025, 82.4% of the region's AI first-round equity, proof that investors will back an AI company at real scale outside London when the proposition justifies it.

Only one first-time AI deal of £100m or more has been recorded anywhere in the UK so far this year, which went to a London-based company. However, Joblogic's £100m round in 2025 shows deals of this scale are achievable outside the capital, leaving scope for other regions to secure a round of similar scale before the year is out.

Eight of the ten largest AI first rounds in 2025 went to London-based companies, and London's share of AI equity ran 18.7 points ahead of its share of AI fundraisings

12 Amount raised by AI companies at first round by UK region (2025 and H1 2026)



Note: Key based on 2025 data

AI first-time deals by industry

An AI company raising its first round in 2025 was roughly two and a half times more likely than the average first-time-raising company to sell subscription software or to be built around data as the product. 62.9% of AI companies raising equity for the first time in 2025 operated a Software-as-a-Service (SaaS) model, compared with 25.2% of the market, and 58.6% provided data provision and analysis services, compared with 22.8%.

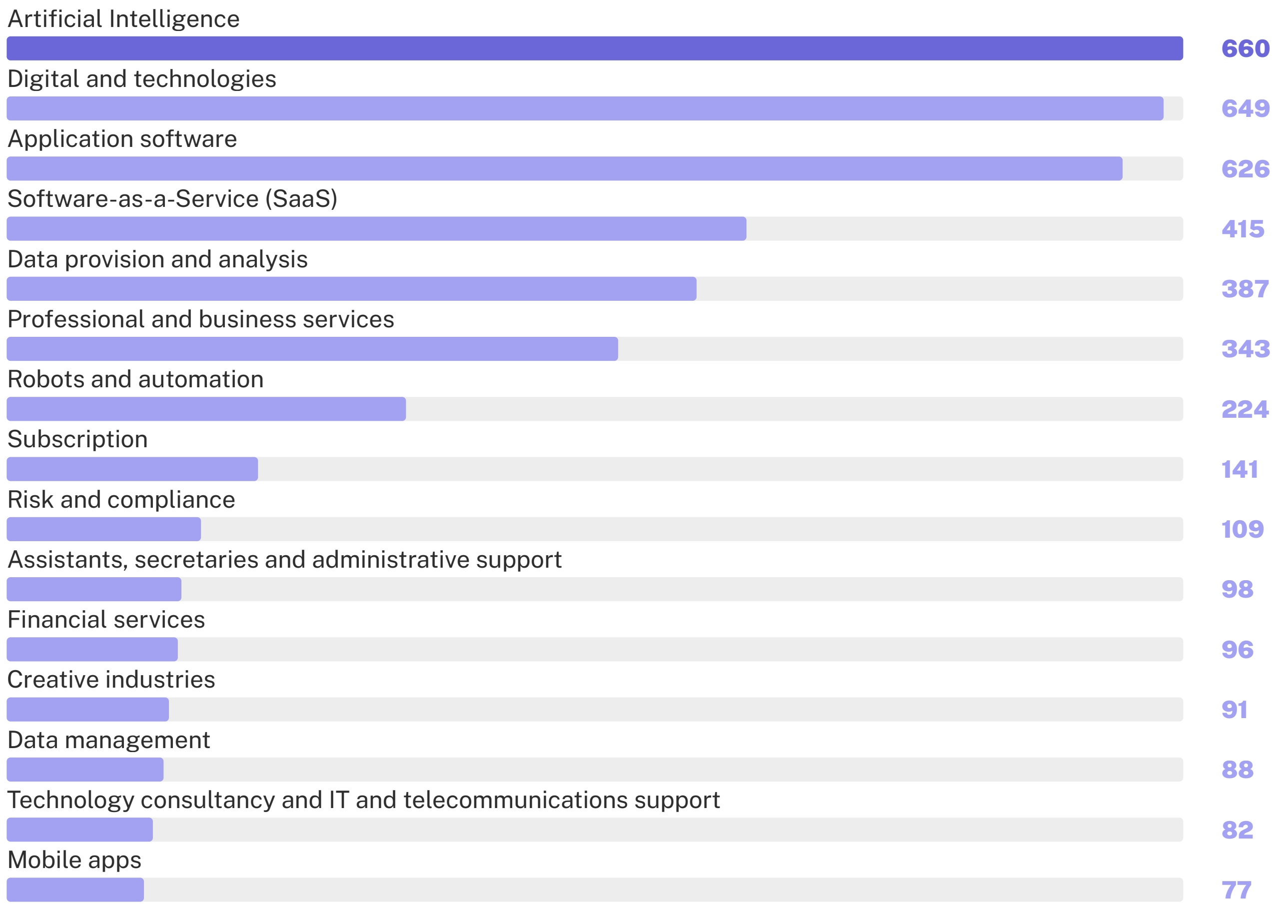
Other top industries describe a market for AI solutions rather than technology, and AI companies carried them at a similar rate. Risk and compliance applied to 16.5% of AI raisers against 7.2% of the wider first-time deal market, administrative support to 14.8% against 5.3%, and data management to 13.3% against 5.3%, each more than double the market rate. An AI company raising a first round is therefore often better marketed and represented by the specific task it automates, whether a compliance check, an administrative process or a dataset, than by the AI label alone.

Financial services and creative industries ran against this pattern. The number of AI financial services companies raising equity was close to the same rate as non-AI financial services companies (14.5% vs 12.2%), and creative industries at 13.8% vs 14.2%.

Coremont, an investment management software platform based in Camden, raised £30.0m in 2025, one of the ten largest AI fundraisings of the year. The round shows the ceiling on individual outcomes in financial services is as high as anywhere in the AI market, even though AI companies raising a first round are no more concentrated there than first-time raisers. This may reflect the regulatory burden of entering the financial services industry, and more growth may be seen among existing companies that pivot to add AI to their already funded services.

AI companies raising a first round in 2025 were defined by business model rather than sector

13 Top 15 sectors among AI first-time fundraisings by count (2025)



Note: Beauhurst attributes companies with every industry which they operate within, so classifications are not mutually exclusive.

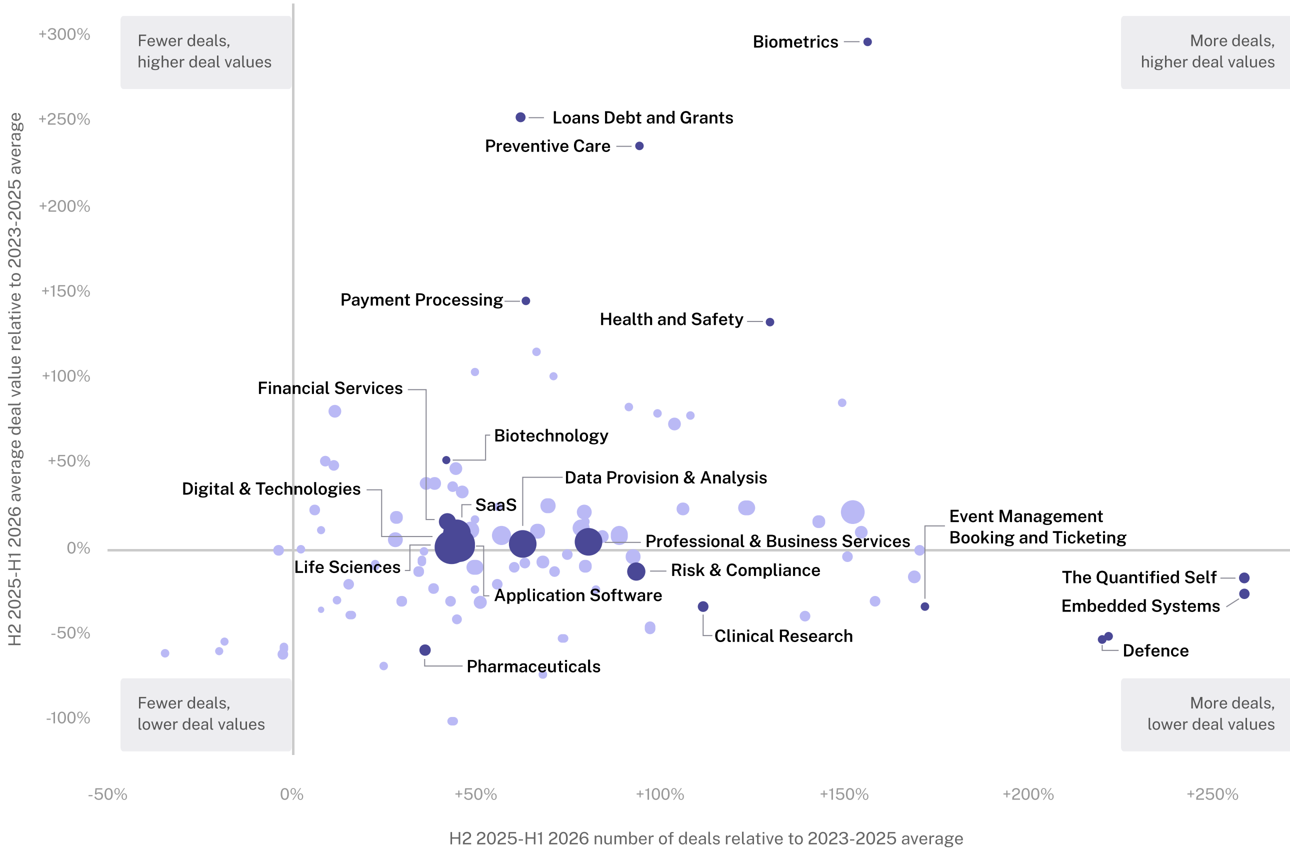
The sectors in Figure 13 that define the AI market in first-time rounds in 2025, continue to show their depth, represented by the larger sized spots on the chart, SaaS (up 44.9% on deal count) and data provision and analysis (up 62.9%). Alongside core IS8 sectors outlined in the Government's Modern Industrial Strategy including Digital and Technologies, Professional and Business Services, and Financial Services, each up between 42.5% and 80.7% on deal count, each of these categories ran into the hundreds of deals across 2023-2025. Average value moved little across this group, pointing to established AI sectors where first-time valuations cluster rather than throwing up outsized winners.

Biometrics, loans debt and grants, and preventive care are the market's most complete growth stories, compounding on both count and value at once, though each moves from a base in the teens or twenties. Life Sciences sub-sectors split the same way at a larger scale: biotechnology sits top right, clinical research and pharmaceuticals bottom right. All three run on a limited number of deals, which is driving their outsized swings in either direction, and potentially leaves room for a new entrant to build a position given how little competition exists in the space.

Risk and compliance is the more interesting case within the bottom right quadrant. Its base of 181 deals is by far the largest moving this way, and its 93.9% rise in count is the strongest addition of new companies anywhere in this group, evidence AI is delivering genuine efficiency gains for the sector. Read against that scale, the 12.4% dip in average value looks less like a cooling market and more like real competition; enough companies are now viable that no single round needs to be large to secure a position.

AI's core sectors are clustering on first-time deal value, with potential for big winners in the smaller emerging markets

14 Number and average value of AI first-time deals by industry over the last 12 months up to H1 2026 compared to three year average (2023-2025)



Note: Size of the bubble represents number of deals in the sector; larger bubbles represent more deals

Methodology

Equity investment

To be included in our analysis, any investment must be:

• The first time the company has raised equity

• Some form of equity investment

• Issued between 1 January 2016 and 30th June 2026

Industries

A company's industry/industries indicates that it operates in a particular area, but does not imply that this is its sole activity. Since companies can be assigned more than one industry, there may be overlaps between industries, and companies with multiple industries will be counted more than one time for industry analysis.

Data

• The data in this report was collated on 10/08/2026

• Regional data is based on the head office address. If the head office is undisclosed, the registered office is used

PENNINGTONS MANCHES COOPER

Penningtons Manches Cooper advises founders, companies and investors across the UK's early-stage investment market, with particular experience supporting technology, life sciences and other innovation-led and IP-rich businesses. We help companies prepare for and complete their first equity raise, helping them navigate the legal and commercial complexities of taking on external investment.

As businesses grow, we continue to support them through later-stage funding rounds, strategic collaborations, international expansion and exits. Our full service offering also gives newly funded companies access to specialist advice on tax, employment, immigration, data protection, commercial contracts, disputes and real estate.

As a full service law firm with over 400 specialist lawyers, Penningtons Manches Cooper is ranked amongst the leading firms in the UK and internationally. Our success is based on a client-first approach focused on real-world outcomes. We operate from major UK hubs including London, Birmingham, Oxford and Cambridge, and our international footprint includes offices in Madrid, Paris and Singapore.

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We offer access to our data through a subscription to one of our four data platforms, our Beauhurst Insights services, or via our API.

Not your average data provider

We curate data, never scrape it. Combining machine learning with 60+ data analysts, we don't rely just on the power of AI. And because we know how important support and training are for customers, we offer continual support from our dedicated team.

How do we help?

We source, extract and package data from thousands of locations to create the ultimate private UK and Germany company database. Whether you're interested in early-stage startups or established companies, we've got you covered.

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