University spinout growth gaining traction outside traditional 'golden triangle' stronghold

Manchester and Bristol show highest growth in spinout populations, while Edinburgh continues to attract spinouts from across the UK.

Temps de lecture : minute

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The Royal Academy of Engineering Enterprise Hub, in collaboration with Beauhurst, has recently published its latest report on spinouts, unveiling a panorama of transformative trends beyond the traditional bounds of the 'golden triangle' encompassing Oxford, Cambridge, and London.

There are currently 1,166 active, academic spinout companies. These make up just 2.52% of the UK's high-growth business population. Why should we care about spinouts, then? Because they punch well above their weight. In 2022, these companies secured £2.13B in equity investment, accounting for 9.11% of all equity finance raised by UK companies that year.

The report makes clear that Manchester and Bristol have emerging as vanguards in terms of spinout population growth within their respective local authorities. Notably, Beauhurst's data shows that Manchester nurtures 58 spinouts, with Bristol accommodates not far behind with 47. Edinburgh, meanwhile, proudly hosts 78 spinouts, amassing companies spun out from universities across the UK, allured by its research institutions, formidable funding networks, and access to exceptional talent.

The third edition of the "<u>Spotlight on Spinouts</u>" report chimes with the UK government's steadfast commitment to amplifying the spinout pipeline, a central tenet articulated in the Science and Technology framework. Furthermore, the government is actively engaged in a comprehensive review of the national spinout landscape, with a keen eye on identifying optimal strategies for galvanizing the metamorphosis of university research into flourishing commercial enterprises.

This report generously accounts for the entire spinout ecosystem – examining spinouts by universities; geographical dispersion; intellectual property protocols; preponderant spinout sectors; investment dynamics; survival trajectories; growth vectors; Innovate UK grants, and the composition of spinout leadership across dimensions of gender, age, and nationality.

At a glance, the report finds;

- A decade of increased spinout investment the mean investment size increased by 187% between 2013 and 2022, and the mean deal size across this period was £3.91M.
- Spinouts attracted a total equity investment of £2.13B in 2022 slightly lower than 2021 but investor appetite for cutting-edge innovation remains high.
- There are 1,166 active spinouts in the UK. Of these companies, 659 (56.5%) are still at seed stage, a similar proportion to the 59.5% that were at seed stage in January 2022 showing a replenishment of early-stage innovative companies.
- CleanTech and Genomics are increasingly dominant spinout sectors in the UK. Genomics is the second-largest emerging sector by number of spinouts, while CleanTech ranks fourth across all spinout sectors.
- A substantial increase in spinouts founded by all-women teams from 0% of spinouts incorporated in 2016 to 12.8% of spinouts incorporated in 2021.

In focus: the Evolving Equity Landscape

Amid concerns over university spinouts' control and potential predation in the startup landscape, recent insights from the "Spotlight on Spinouts" report offer a nuanced perspective. Over 2013-2022, university stakes in spinout formation dipped from 24.8% to 17.8%, a decade-low, driven by various factors.

The surge in spinout numbers tempers the impact of hefty equity stakes, reshaping the average distribution. Simultaneously, public scrutiny accentuates equity distribution's role, resonating with UK's long-term competitiveness and altering universities' equity allocation.

Notably, Beauhurst's dynamic spinout shareholder dataset, refreshed by new data from Companies House, can lead to minor fluctuations in historical equity stake figures. This year's "Spotlight on Spinouts" slightly diverges from prior editions, spotlighting the dataset's evolving nature. This fluidity mirrors the adaptive spinout landscape, marked by shifting equities and evolving partnerships.

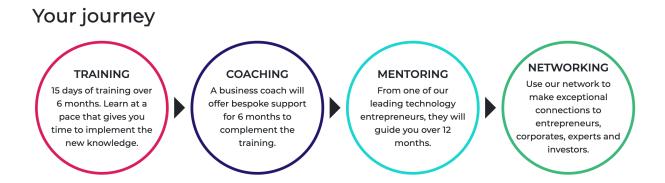
Enterprise Fellowship: a spinout with a difference?

Enterprise Fellowships - whose parent organisation are behind the report - is a twelve-month accelerator programme designed to support talented researchers and graduates to transform breakthrough engineering innovations into disruptive spinouts and graduate startups.

<u>Enterprise Fellowships is not your 'average' accelerator</u>. As a charity, the Royal Academy of Engineering does not charge any fees or take any equity.

We have supported over 187 researchers to become CEOs since 2011,

and we boast a 78% survival rate compared to 40% average for startups. They argue this is why 10% of all UK spinouts choose them every year.



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