Support for life sciences startups is needed to translate world-class research into world-class companies

One of the UK's real strengths is its life sciences engine, driving continuous innovation and a track record of breakthroughs. The key components are all there and whirring away: leading universities, talented people and an available pool of funding. However, the sector's growth is not guaranteed. Support for our life sciences startups is needed if we are to continue translating our world-class research into world-class companies that can thrive within the UK ecosystem.

Temps de lecture : minute

29 August 2024

The UK's R&D starting point is incredibly strong

The UK punches well above its weight at the top of the R&D funnel, home to $\underline{4}$ of the top 10 universities globally, with their output accounting for $\underline{20\%}$ of all European publications in scientific journals.

Research has long benefitted from top-down policy, with commitments to the UK's scientific superpower status being among the few consistent threads through recent governments. The budget for health R&D (0.13%, £3.2B) is second only to the US when viewed as a % of GDP (0.19%, £36B). As of July, the Labour government is shaping its life sciences plan. Initial signs are positive, with Patrick Vallance appointed Minister of State

for Science (a fixture of Covid TV briefings, as well as GSK's former Head of R&D).

Combining this academic firepower and government support with the NHS – a uniquely centralised system and data source – should result in the UK leading on major population health initiatives. This has been seen through the COVID-19 vaccine roll-out, the huge advances by Genomics England in sequencing 100,000 genomes, and the UK Biobank's creation of the largest dataset of its kind.

For all these reasons, at BGF we have chosen to make life sciences a key pillar of our early-stage investment strategy, investing in over 50 companies across the UK spanning drug discovery, MedTech and diagnostics. Our outlook remains positive in terms of both innovation and impact.



Read also

Growth capital for small and mid-sized businesses, a profile of BGF

More scope to build on commercial translation

This research powers a thriving life sciences industry, with more than <u>6,000</u> businesses employing <u>646,000</u> people and contributing <u>£43.3B</u> in gross value added to the UK economy. Yet even more value could be created with more direct translation from innovation to commercialisation. Measures to streamline the university <u>spin-out process</u> are a good start, as are efforts to stimulate life sciences clusters beyond the "Golden Triangle" of <u>Oxford</u>, <u>Cambridge</u> and <u>London</u>. Wherever possible, we need to empower potential founders to build and scale the next generation of life sciences companies.

Funding is one piece of the puzzle

It would be easy to say that this is all down to funding, but the reality is more complex. Admittedly, the $\underline{£1.25B}$ of venture capital invested in UK life sciences is well below the $\underline{£11.7B}$ invested in the US. Yet, this figure still outstrips the amount invested in other European countries (41% of the £3.2B deployed across Europe). For investors looking to the UK, life sciences continues to be one of the most resilient sectors. Despite many geopolitical twists and turns, funding has increased steadily over the last decade.

The need for funding is more obvious when split out by stage. At <u>BGF</u>, we invest broadly across the company lifecycle, which gives us visibility of the life sciences funding gap referred to as "the valley of death". This morbid label reflects the idea that funding is relatively available during the early stages of company formation but dries up along the long journey to scientific and commercial validation, at which point funding becomes more readily available again.

More money could come to the table, with the Mansion House Reforms encouraging a greater proportion of the $\underline{\textit{£2.5T}}$ in UK pension funds to be allocated to UK equities. Currently, only $\underline{\textit{10\%}}$ of UK VC funding comes from pension funds, compared to $\underline{\textit{72\%}}$ in the US, and actually, overseas pension funds are investing $\underline{\textit{16x}}$ more in British equities than domestic funds. While increasing the total pot of funding would help, we need to acknowledge that this is just one part of the equation.

Attracting the best talent and simplifying regulatory hurdles will be key

As global competition for talent rises, we must continue encouraging the best and brightest to the UK. Historically, the UK has excelled at building a diverse pipeline of scientific talent. <u>45%</u> of enrolments into UK higher education are in STEM subjects, with overseas students making up <u>19%</u> of this cohort. In BGF's life sciences portfolio, 55% of companies have at least one founder who has relocated to the UK from overseas.

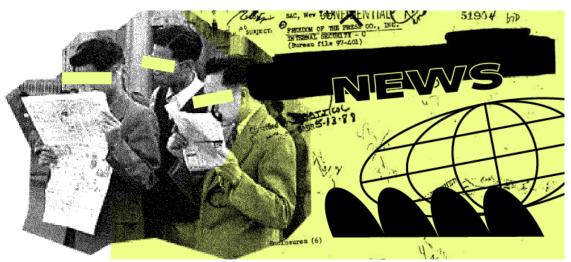
Recent changes to our immigration system risk damaging this inflow of skills that has worked so strongly for our life sciences sector, with a shortfall of 380,000 researchers forecast by 2027. Recruiting and retaining the best life sciences talent appears to be on the new government's agenda, with Vallance already commenting that revised visa rules would help.

Meanwhile, the number of UK-based clinical trials for new medicines has almost <u>halved</u> since 2012, largely caused by backlogs at the UK's regulator (the MHRA). Another factor is the strain on the NHS, which provides crucial resources for running clinical trials. Reversing this trend in clinical trials would attract significant pharma investment and bring patients faster access to the latest treatments. The picture is similar with planning regulations. While the UK is home to pharma giants AstraZeneca and GSK, the CEO of Eli Lilly, now the world's most valuable pharma

company, recently told the BBC that the UK's convoluted planning rules were an "<u>impediment</u>" to other pharma companies investing in the country.

The UK has the potential to be a global leader in life sciences but requires the right support to realise this. Funding is certainly one piece of the puzzle, and BGF remains committed to investing in the sector. However, the challenge is multi-faceted. Life sciences is a unique sector where positive impact – for patients and healthcare providers, drives returns for investors. To maximise this impact, the sector requires a continued focus on innovation, increased support for translation and new ways of attracting and supporting the best global talent.

Lucy Edwardes-Jones is an Early Stage Investor at <u>BGF</u>.



MADDYNEWS UK

The newsletter you need for all the latest from the startup ecosystem

SIGN UP