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THE ENTREPRENEURS REPORT

PRIVATE COMPANY FINANCING TRENDS

From the Wilson Sonsini Database:

FINANCING TRENDS Q2 2025



Key Features and Developments in This Report

Ali Alemozafar Discusses the State of Quantum Computing

In a comprehensive interview, Wilson Sonsini partner Ali Alemozafar discusses recent developments in the quantum computing sector and how the technology is poised to spur innovation in artificial intelligence, drug discovery, and more.

See [p. 3](#)

Late-Stage Valuations Have Best Quarter Since 2021

Valuations increased quarter over quarter at most stages, suggesting that many companies can justify higher valuations to investors. Series C and later valuations were particularly notable this quarter, reaching levels not seen since 2021.

See [p. 5](#)

More Companies Justify Up Rounds

While the number of down and flat rounds remains slightly above historical levels, the number of up rounds increased for the third straight quarter.

See [p. 7](#)

One Big Beautiful Bill Makes Changes to Qualified Small Business Stock Provisions

We summarize recent legislative changes to Section 1202 affecting Qualified Small Business Stock tax exemptions that may significantly impact founders and investors. Among the updates are increased exempt dollar amounts and shorter holding period requirements.

See [p. 13](#)



Market Perspective with Wilson Sonsini's Ali Alemozafar

[Dr. Ali R. Alemozafar](#) is a partner at Wilson Sonsini Goodrich & Rosati, where he leads the tools, diagnostics, and deep technology practice in the Patents and Innovations group. He advises companies and venture capital firms on strategic intellectual property (IP) matters across a broad range of technical fields, including quantum computing, energy storage, [artificial intelligence](#) (AI), advanced materials, and engineering. Ali's practice includes patent strategy, global patent prosecution, and IP due diligence—including freedom-to-operate analyses—for venture financings, mergers and acquisitions, and public offerings. He has prosecuted patent applications in the U.S., Europe, China, Japan, and other major jurisdictions. He counsels companies at all stages of growth, from early-stage start-ups to public companies.

Can you provide an overview of the current state of quantum computing and its significance for start-ups in the life sciences and technology sectors?

Wilson Sonsini has a long history of working with clients in the quantum computing space and recently announced the addition of [quantum computing](#) to the firm's distinct industry offerings. What drove this new initiative now?

What role do you expect quantum computing to play over the next couple of years in the development of increasingly powerful AI models?

After decades of research, quantum computing is now transitioning from theoretical promise to early-stage practical implementation. We're seeing start-ups develop specialized quantum hardware, error-correction algorithms, and hybrid quantum-classical solutions. For life sciences and technology start-ups, this opens up new frontiers in modeling molecular interactions, optimizing drug discovery, and accelerating AI workflows. While widespread deployment is still a few years away, the groundwork is being laid now—making this a strategically critical time for innovation and IP protection.

The move reflects a confluence of increasing client demand and rapid technological maturation. We've long advised companies pushing the boundaries of deep tech, and quantum is a natural evolution of that work. Formally recognizing quantum computing as a distinct industry offering allows us to more deeply align legal services with the unique technical and commercial realities of this space, including highly specialized IP strategy, regulatory navigation, and venture financing support.

In the short term, we'll see quantum computing used in a hybrid capacity—complementing classical computation, particularly in optimization, data sampling, and simulation-heavy AI workloads. While we're not yet at the point where quantum systems outperform GPUs across the board, targeted use cases in AI/Machine Learning model training and inference are emerging, and start-ups at this intersection are attracting early-stage venture capital (VC).

Market Perspective with Ali Alemozafar (cont.)

What unique IP challenges do start-ups face in the quantum computing space, and how can they navigate these challenges effectively?

Quantum computing often blends hardware, software, and physics in novel ways, which can raise patent eligibility concerns, especially in some jurisdictions where software patents face increased scrutiny. Start-ups also need to navigate a crowded and fast-evolving patent landscape, often with overlapping subject matter. A well-crafted IP strategy must include early landscape analysis, global patent filings, and a careful balance between trade secret protection, patent protection, and publication.

Given your experience with patent applications in multiple jurisdictions, how should start-ups approach international patent strategy, particularly in the context of quantum computing?

Start-ups should prioritize jurisdictions based on their target markets, investor expectations, and enforcement environments. Given the strategic importance of quantum technology, filings in the U.S., Europe, China, and Japan are often essential. International strategy should also consider timing (a delayed Patent Cooperation Treaty filing versus faster direct filings), harmonization of claim scope across jurisdictions, and evolving standards in patentable subject matter—especially where software and physics intersect.

How do you anticipate VC investment trends evolving in the quantum computing sector over the next few years?

We're seeing a shift from research-heavy moonshots to more application-oriented investments—companies developing near-term commercial use cases like quantum sensing, quantum-secure communications, and hybrid AI systems. VC interest will likely follow the path we saw with AI: from foundational tools to vertical-specific applications. Expect to see more funding into enabling technologies, such as cryogenic systems, photonics, and error-correction software.

What regulatory considerations should entrepreneurs keep in mind when developing technologies related to quantum computing and other related technologies?

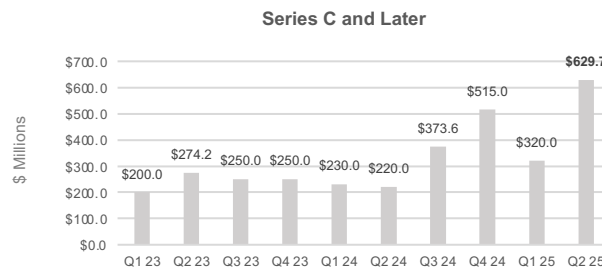
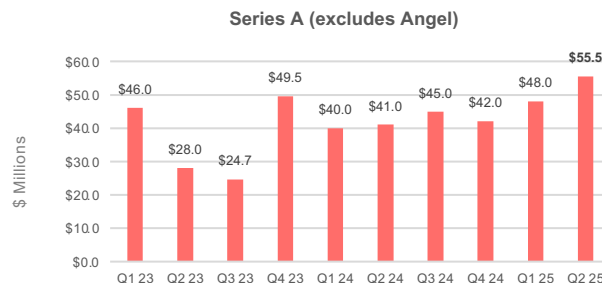
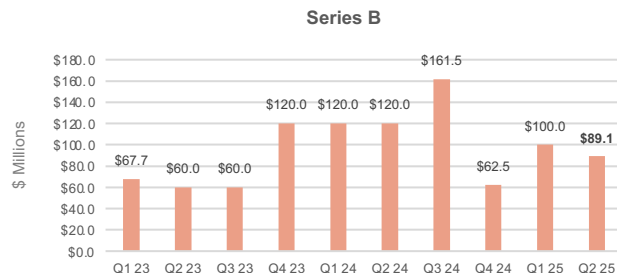
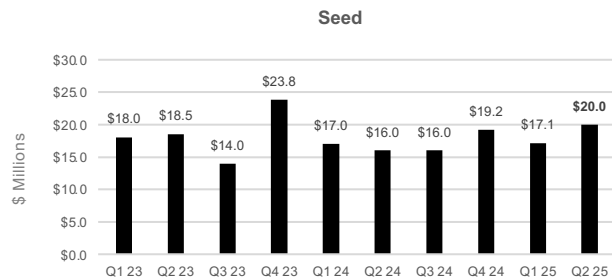
Key issues include export control laws, data privacy compliance if quantum tools are applied to sensitive datasets, and cybersecurity frameworks as quantum capabilities evolve. As quantum computing begins to impact national security and cryptography, entrepreneurs should anticipate greater regulatory scrutiny and consider proactive engagement with relevant agencies.

What advice would you give to early-stage companies looking to protect their innovations in a rapidly evolving technological landscape?

Don't wait to build your IP/patent strategy. Protect core innovations early but also leave room for iteration. Stay informed on how global IP standards are evolving—especially around AI, software, and quantum. Work with advisors who understand both the technical nuance and the commercial trajectory of your field. And remember that IP is not just about patents—it includes trade secrets, know-how, data, and brand.

PRE-MONEY MEDIAN VALUATIONS*

Late-stage Valuations Have Best Quarter Since 2021



Reflecting measured optimism despite continuing economic uncertainty, venture-backed company valuations were mostly up in Q2 2025, with all stages except Series B increasing from the previous quarter.

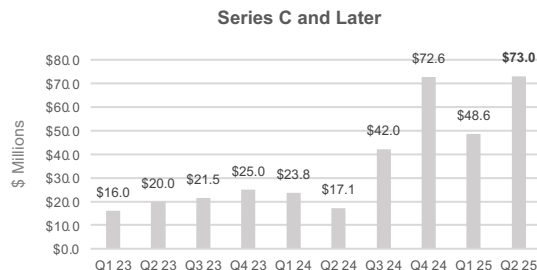
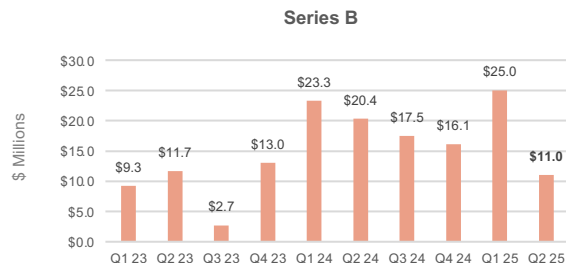
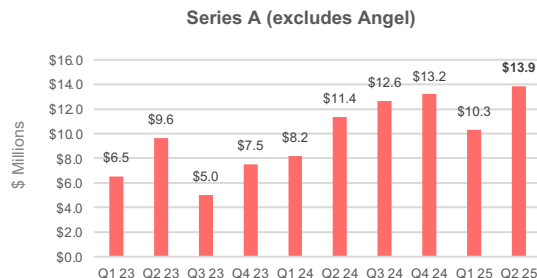
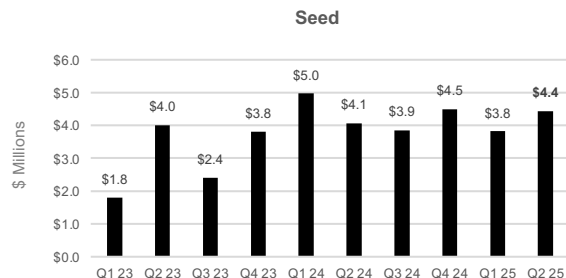
Seed and Series A valuations this quarter both increased by several million dollars compared with Q1 2025. After nearly hitting an all-time-highs several times over the past two years, Series A median valuations reached \$55.5 million for the first time.

Series B valuations remain down from 2024 as investors and start-ups wrestle with growth stage volatility.

After starting 2025 on a low note, valuations for Series C and Later companies had a stellar second quarter, hitting a median of \$629.7 million. To find higher late-stage valuation numbers, we need to go back to Q4 2021, when late-stage valuations hit \$1 billion for the first (and only) time.

EQUITY FUNDRAISE MEDIAN AMOUNTS*

Fundraise Amounts Move in Line with Valuations



Like valuations, fundraise amounts show that Seed, Series A, and pre-IPO companies continue to fundraise well, while Series B companies are struggling to raise large rounds.

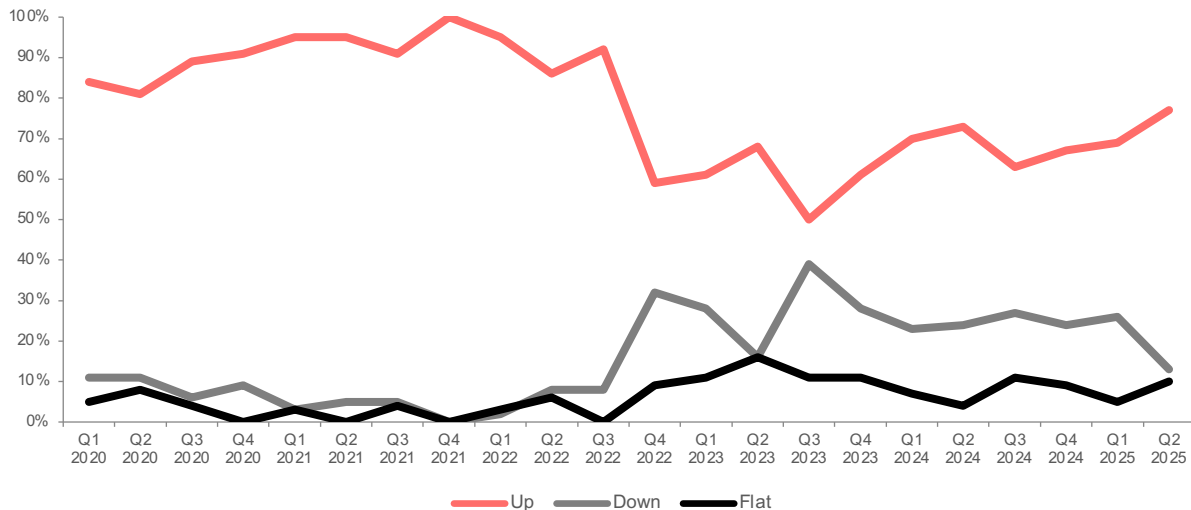
Reflecting growing investor interest in early-stage companies, Seed fundraise amounts increased slightly from \$3.8 million in Q1 2025 to \$4.4 million in Q2 2025. Series A amounts also increased, hitting a new high of \$13.9 million.

Following the drop in valuations, Series B fundraise amounts also decreased significantly to levels not seen in over a year. For perhaps the first time, Series A companies were able to command higher raise amounts than their more mature Series B counterparts. We will be watching closely to determine if this reversal is a fluke or a signal that growth investors are now abandoning older companies in favor of newer and nimbler start-ups.

After a down quarter, Series C and Later fundraise amounts hit \$73.0 million. Q2 saw several [high-profile IPOs](#), and we expect pre-IPO fundraising to continue to be robust as more companies prepare to go public in the next 12-24 months.

Up Rounds Are on the Up and Up

Up and Down Rounds by Quarter (Series B and Later Companies)



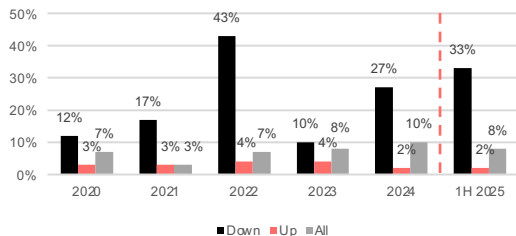
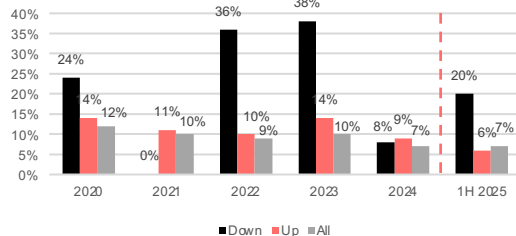
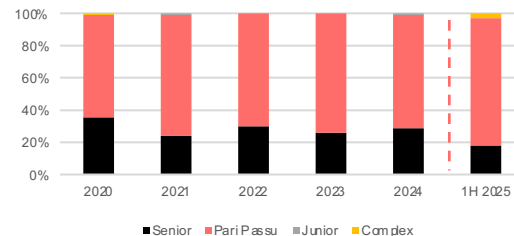
Seventy-seven percent of Series B and Later companies that raised priced capital in Q2 2025 were able to do so via an up round, the third consecutive quarter-over-quarter increase.

At the same time, the percentage of down rounds decreased from 26% to 13%, the lowest figure in over two years. Last quarter we suggested that the trend of more down rounds over the past few years was here to stay, but that prediction now looks premature.

However, the percentage of flat rounds increased to 10% and remains elevated by historical standards, suggesting that more than a few companies are still struggling to justify increased valuations.

EQUITY FINANCING DEAL TERMS*

Investors Are Still Hedging Against Downside Risk

Deals with Pay to Play
(Series B and Later Financings)Participating Liquidation
(All Preferred Stock Financings)Liquidation Preferences
(Series B and Later Financings)

In 1H 2025, equity financing deal terms for Series B and later rounds showed some notable shifts compared with prior years. The percentage of pay-to-play provisions in down rounds increased to 33%, up from 27% in 2024, indicating that investors continue to be inclined to use these terms to safeguard their investments in more distressed start-ups.

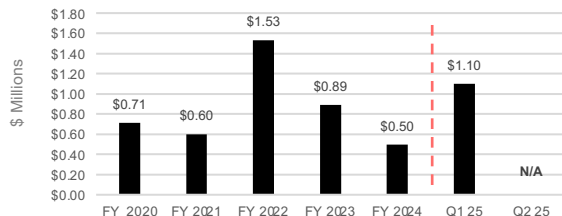
Although lower than 2022 and 2023, participating liquidation preferences also increased over last year, appearing in 20% of down rounds, compared with just 8% in 2024. This shift highlights a preference for terms that allow investors to recover their investments in challenging liquidation scenarios. However, another investor favorable term (senior liquidation preferences) has been less common this year compared with the last five years.

Overall, these trends reflect a more cautious environment, with investors focusing on protecting their stakes amid ongoing economic uncertainties. The increase in pay-to-plays and participating liquidation preferences indicates that investors are adapting to the current landscape, while the decline in senior liquidation preferences shows a willingness to step away from more traditionally investor-favorable terms when needed.

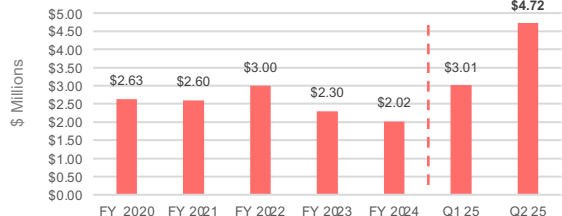
CONVERTIBLE NOTE MEDIAN RAISE AMOUNTS

Post-Seed Convertible Notes Are Up

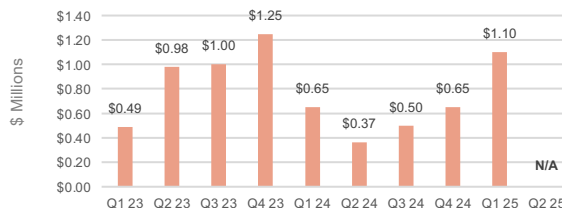
Pre-Seed - Convertible Notes
(Yearly Comparison)



Post-Seed - Convertible Notes
(Yearly Comparison)



Pre-Seed - Convertible Notes
(Quarterly Comparison)



Post-Seed - Convertible Notes
(Quarterly Comparison)



We have again excluded pre-Seed convertible notes from this quarter's report due to a low number of relevant deals in our dataset. The pre-Seed investment ecosystem remains strong, but investors and start-ups favor SAFEs (which featured in more than 90% of 1H 2025's pre-Seed deals) over notes. SAFEs typically involve fewer legal complexities and allow for quicker fundraising processes, making them attractive to early-stage start-ups that need to secure capital without extensive negotiations.

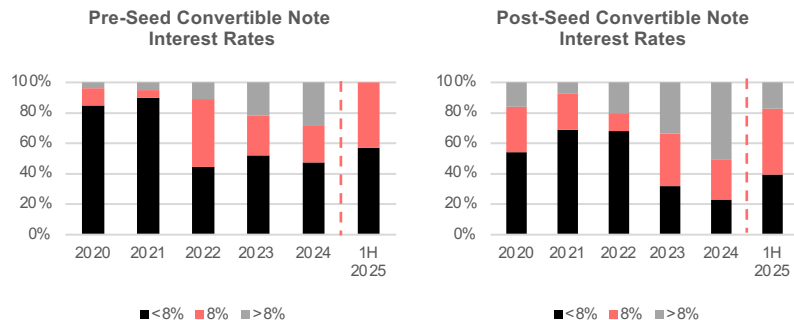
In contrast, bridge fundraising through post-Seed convertible notes remains common, with the median amount raised increasing for the second quarter in a row, reaching a new high of \$4.72 million. This increase over previous quarters reflects investor willingness to participate in bridge rounds as post-Seed companies navigate uncertain market conditions and work towards justifying larger preferred stock financings.

The trends seen in Q2 2025's convertible note fundraising indicate an ongoing reliance on notes among post-Seed companies, while the shift towards SAFEs in early stages reflects changing investment strategies and is likely to continue.

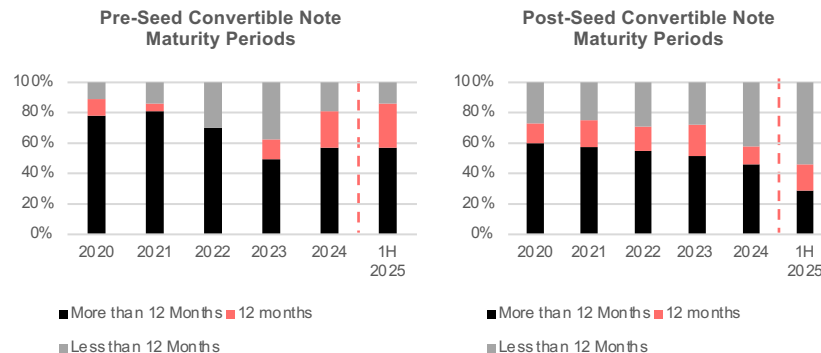
CONVERTIBLE NOTE DEAL TERMS*

Post-Seed Notes See Lower Interest Rates and Shorter Maturity Periods

Interest Rates



Maturity Periods

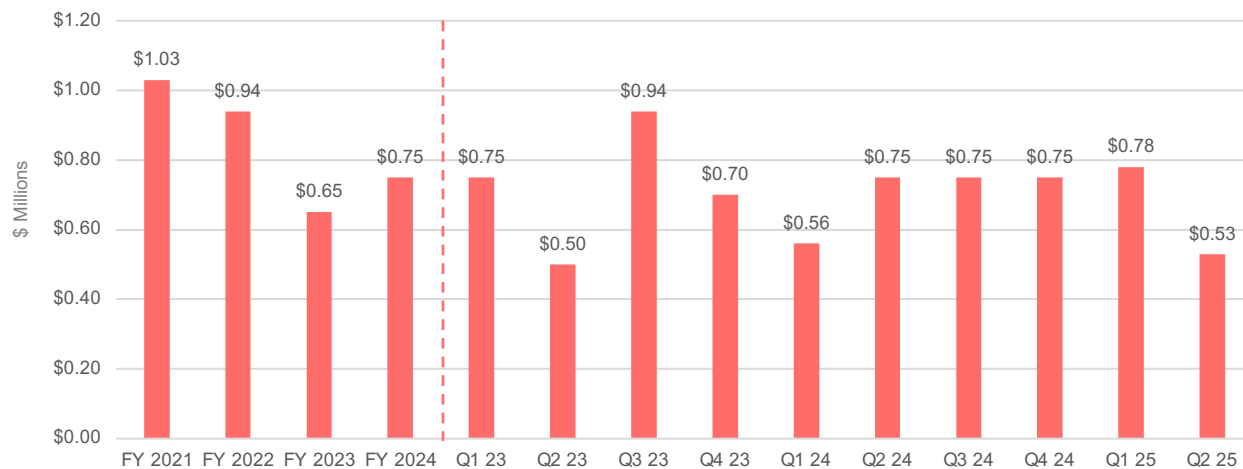


The market continues to favor low-interest, long-term pre-Seed convertible notes, when used. More than half (57%) of 1H 2025 pre-Seed notes had interest rates of less than 8% while a similar number had terms longer than 12 months, suggesting that investors expect pre-Seed companies to take longer to gain traction compared with recent years.

The interest rates for post-Seed convertible notes also show a shift. The proportion of 1H 2025 post-Seed convertible notes with interest rates below 8% rose to 39%, an increase from 23% in 2024. On the other hand, the percentage of 1H 2025 post-Seed notes with maturity periods exceeding 12 months decreased to 29%, down from 46% in 2024 and the lowest percentage we have seen. With more than two-thirds of post-Seed notes having maturity periods of one year or less, many investors are expecting post-Seed companies to raise again quickly.

SAFES (Simple Agreements for Future Equity)

SAFES Continue to Dominate at the Pre-Seed Stage

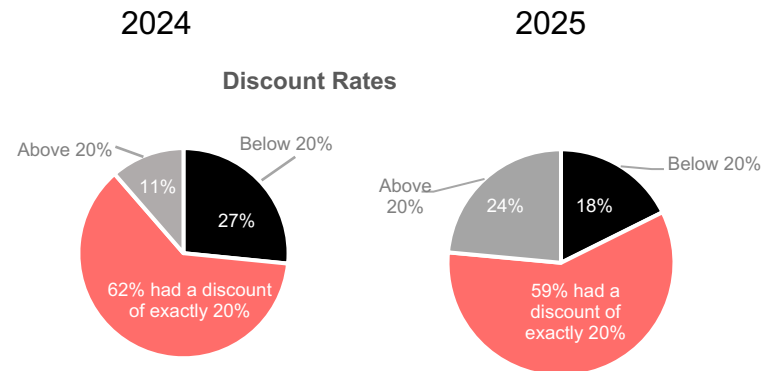
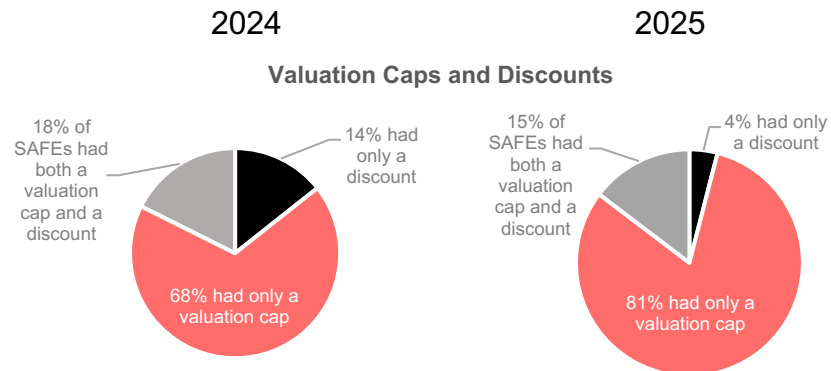


In Q1 2025, the median amount raised through SAFE financings dropped to \$530,000, remaining below \$1 million for the 13th consecutive quarter.

As noted above, investors in a significant majority (approximately 90%) of our pre-Seed non-equity financings purchased SAFEs rather than convertible promissory notes. The decrease in amounts invested in SAFE rounds suggests that SAFEs are being utilized in earlier and earlier investment rounds where smaller fundraise amounts are common.

SAFEs (Simple Agreements for Future Equity)

SAFE Terms Start to Move



Compared with 2024, the start of 2025 saw a bit of a shift in SAFE terms, and we will be watching future quarters to learn if these trends are short-lived or represent a more permanent change in SAFE structures. Ninety-six percent of 1H 2025's SAFEs included a valuation cap, up significantly from 2024 when valuation caps were featured in 86% of deals. This suggests that investors are increasingly favoring valuation caps as the most acceptable mechanism for providing up-side potential when making early-stage investments.

The median valuation cap this quarter was \$15 million, a slight decrease from 2024's \$16 million, underscoring the continuing willingness of investors to support earlier start-ups with reasonable potential valuations as they prepare for future equity rounds. Additionally, 78% of 1H 2025's SAFEs employed the newer [post-money valuation cap structure](#), similar to 80% in 2024.

While the median discount rate remained at the standard 20% in 1H 2025, 42% of SAFEs featuring a discount included a discount rate that was above or below that median, suggesting that investors are becoming more amenable to customizing discount rates under certain scenarios.

Qualified Small Business Stock Tax Exemptions Updated: Understanding Section 1202

The One Big Beautiful Bill Act that was signed by President Trump on July 4, 2025, includes significant expansion of and revisions to the tax code's "qualified small business stock" (QSBS) tax provisions.

The QSBS tax exemption under Section 1202 allows non-corporate founders and investors in certain emerging growth companies to potentially exclude up to 100 percent of the U.S. federal capital gains tax incurred when selling its stake in the start-up or small business. Section 1202(a) permits a stockholder to exclude a percentage of the gain recognized on the sale of QSBS held for at least three years, capped at the greater of \$10 million (\$15 million for stock issued after July 4, 2025, indexed for inflation) or 10 times the basis of its initial investment. Alternatively, if QSBS has been held for at least six months, Section 1045 generally permits a tax-free rollover of gain on the sale of the QSBS if the proceeds are reinvested within 60 days of the sale of the QSBS. These provisions are intended to encourage formation of and investment in certain small, active, operating businesses.

Benefits of Qualifying as QSBS

Gain Exclusion. Gain from the sale of QSBS held for more than five years is eligible for 100 percent exclusion from U.S. federal capital gains tax (or a lower percentage as described below), as well a corresponding 100 percent exclusion from the alternative minimum tax (AMT) and 100 percent exclusion from the 3.8 percent net investment income tax (NIIT).

Section 1202 provides for a lower percentage of exclusion (generally 50 percent or 75 percent) for QSBS issued prior to September 28, 2010, and held for more than five years, or for QSBS issued after July 4, 2025, and held for at least three years but less than five years. The amount of gain that is not excluded is generally taxed at a 28 percent rate and is also subject to the NIIT. The excluded portion of any gain is treated as a preference item for AMT purposes.

Qualified Small Business Stock Tax Exemptions Updated: Understanding Section 1202, cont'd

The amount of gain excludable from the sale of a single corporation's QSBS is generally limited, regardless of the exclusion percentage, to the greater of \$10 million (\$15 million for stock issued after July 4, 2025, indexed for inflation) or 10 times the taxpayer's adjusted basis in the QSBS or 10 times the taxpayer's adjusted basis in the QSBS.

Rollover. Under Section 1045, if an electing stockholder holds QSBS for more than six months, sells the original QSBS in an otherwise taxable transaction, and purchases new QSBS within 60 days of the sale, such stockholder generally will recognize gain on the sale of the original QSBS only to the extent that the proceeds from the sale exceed the amount invested in the replacement QSBS (QSBS gain rollover). As a result, under these rules, if a stockholder must sell before the five-year holding period has elapsed, such stockholder could still qualify for Section 1202 gain exclusion by purchasing new QSBS.

The provisions under Sections 1045 and 1202 can provide an excellent tax planning tool for non-corporate founders or investors forming or investing in small businesses. Assuming the rules described above are satisfied, the potential 100 percent capital gains exclusion along with the exclusions for NIIT and the AMT provide a significant tax incentive. Moreover, the rollover rules under Section 1045 provide flexibility in the event an investor must exit earlier than the five-year holding period.

For more information about these recent updates and QSBS provisions generally, please see our [recent client advisory](#).

CPPA Approves New CCPA Regulations on AI, Cybersecurity, and Risk Governance, and Advances Updated Data Broker Regulations

On July 24, 2025, the California Privacy Protection Agency (CPPA) Board voted to approve a long-awaited rulemaking package imposing substantial new compliance obligations on businesses subject to the California Consumer Privacy Act (CCPA). The package contains finalized rules on AI-related, automated decision-making technologies (ADMT), cybersecurity audits, and risk assessments, as well as updates to existing CCPA regulations. These [regulations](#) will impact a broad swath of businesses handling personal information of California residents.

The CPPA Board's approval of the new regulations is the culmination of a year-long process that began when the agency first released draft regulations on these topics in July 2024 and initiated the formal rulemaking in November 2024 (analyzed in prior Wilson Sonsini [client alerts](#)). In April and May 2025, the Board grappled with public concerns from hundreds of public comments on the draft regulations, analyses of which can be found in these recent [client alerts](#). In addition, the CPPA Board approved [modifications](#) to the proposed data broker regulations concerning the Delete Request and Opt-Out Platform (DROP) mandated by the Delete Act (discussed in a prior [post](#)). These modifications will be subject to a new 15-day public comment period once the agency publishes official notice of the changes.

For a summary of the new regulations, timelines for compliance, and other updates from the July 24, 2025, Board meeting, please see our [recent client alert](#).

Wilson Sonsini routinely helps companies navigate complex privacy and data security issues. For more information or advice concerning your CCPA compliance efforts, please contact [Tracy Shapiro](#), [Eddie Holman](#), [Angela Guo](#), or any member of the firm's [Data, Privacy, and Cybersecurity](#) practice. For more information or advice concerning your compliance efforts related to ADMT or artificial intelligence, please contact [Scott McKinney](#), [Eddie Holman](#), [Maneesha Mithal](#), or any member of the firm's [Artificial Intelligence and Machine Learning](#) practice.

A Selection of Recent Wilson Sonsini Deals

Wilson Sonsini attorneys across practice group and offices advised hundreds of companies and investors in Q2 2025 deals. Here are a few notable examples of our attorneys and their work:

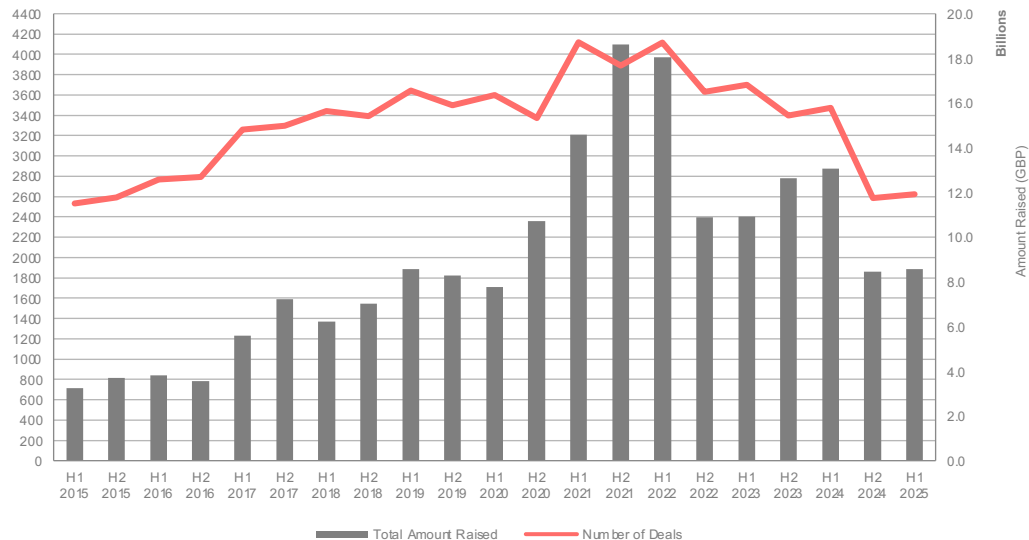
- [J.P. Morgan Growth Equity Partners on Rogo's \\$50 Million Series B](#)
- [Entrata on \\$200 Million Investment from Blackstone](#)
- [Heron Power on \\$38 Million Series A to Transform Key Grid Technology](#)
- [SpyGlass Pharma on \\$75 Million Series D Financing](#)
- [Lexeo Therapeutics on \\$80 Million Private Placement Equity Financing](#)
- [AssetWatch on \\$75 Million Series C Financing](#)
- [Plenful on \\$50 Million Series B](#)
- [Base Power on \\$200 Million Series B](#)
- [J.P. Morgan Growth Equity Partners on Nourish's \\$70 Million Series B](#)
- [Altruist on \\$152 Million Series F Financing](#)
- [Crux on \\$50 Million Series B](#)
- [Glycomine on \\$115 Million Series C](#)
- [Parallel Systems on \\$38 Million Series B](#)
- [Neurona Therapeutics on \\$102 Million Oversubscribed Financing](#)
- [Isomorphic Labs on \\$600 Million External Funding Round](#)
- [RayThera on \\$110 Million Series A](#)



The State of UK Investment: H1 2025

Beaurost

Number of Deals and Amount Raised



H1 2025 vs. H2 2024 (previous half)

2,620 deals
£8.57 billion invested

▲ 1.3% increase in number of deals

2,587 deals
£8.46 billion invested

▲ 1.3% increase in amount invested

H1 2025 vs. H1 2024 (Year-on-Year)

2,620 deals
£8.57 billion invested

▼ 25% decrease in number of deals

3,471 deals
£13.06 billion invested

▼ 34% decrease in amount invested

Q2 2025 vs. Q1 2025 (previous quarter)

1,225 deals
£4.01 billion invested

▼ 12% decrease in number of deals

1,395 deals
£4.56 billion invested

▼ 12% decrease in amount invested

The State of UK Investment: H1 2025 (cont.)



The Headlines

The evidence suggests we may be settling into a lower baseline for investment activity. The sharp peaks of previous years, including the post COVID-19 investment boom in 2021 and 2022, have given way to a flatter, more cautious landscape.

Half Comparison

At first glance, the picture doesn't look too bleak. Investment into UK companies ticked up slightly from H2 2024 to H1 2025, with a 1.3% increase in both the number of deals and total amount raised. While that suggests some stability, the gains are marginal, and they don't hold up when we look year-on-year.

Comparing H1 2025 to H1 2024, the market has clearly contracted: deal count is down 25%, and the total amount raised has fallen by 34%. This points to a meaningful decline in overall market appetite and not just a temporary dip.

Quarterly Review

Similarly, when we compare to the previous quarter, numbers are declining—both the number of deals and the amount raised dropped by 12%.

If deal volume continues to decline at the same pace—say, another 12% drop in Q3 2025—we could be looking at just 1,078 deals that quarter. A further 12% drop in Q4 would bring the total number of deals for the year down to just 4,647, which would mark the lowest annual deal count since 2014.

Using the same projection for the amount raised—a 12% decline each quarter until the end of 2025—we would see £15.2 billion invested in 2025. That would be the lowest since 2018, and a 29% decrease from 2024. In short, we're emphasizing that 2025 could mark the lowest deal volume since 2014.

In our previous report covering UK equity investment in [Q1 2025](#), where we also saw fewer deals and less investment across the UK overall, we asked: Is this the new normal? With the latest data in hand, it's now clear that we may need to get used to lower investment volumes and cautious investor appetite.

Methodology

Data for this report was finalised on 1 August 2025.

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

- Dated between 1 January 2015 and 30 June 2025
- Some form of equity investment
- Secured by a non-listed UK company

Data for this report includes announced and unannounced fundraisings combined.

The State of UK Investment: H1 2025 (cont.)



Where Is Investment Being Made in the UK?

Half Comparison

London always secures the top spot for the region bringing in the most investment, and H1 2025 was no different. The capital made up 50% of all deals made, and a huge 65% of the total amount raised—a 22% increase in amount raised from H2 2024.

The South East ranked second for the number of deals (11%) and third for total funds raised (6%). Meanwhile, the East of England accounted for 7% of all deals, placing it third in that category, and contributed 10% of the total amount raised, earning it second place for funding.

There was exciting news for the South West, which experienced a 75% increase in funds raised and contributed 5% of the UK total. A large portion of this can be attributed to a large investment into The Openwork Partnership, which secured £120 million in May 2025.

Investment into Scotland continued to increase after we saw a 108% increase in amount raised in our Q1 2025 review. Scottish companies secured 7% of all deals made in H1 2025, and 4% of the amount raised—this is an increase on H2 2024 of 24% and 9%, respectively.

Wales saw a drop in investment in H1 2025. The number of deals in Wales declined by 34% and, even more significantly, the amount invested into Welsh companies declined by 80%.

Northern Ireland also saw a drop in the amount raised (by 25%) but had a 7% increase in the number of deals made.

Quarterly Review

While London again secured the top spot when looking at activity in Q2 2024, there is a slightly different story in our quarterly review than in our half-year analysis. London-based companies secured 51% of deals and 64% of the total amount raised in Q2, but this is a 10% and 16% decrease from the previous quarter. Despite this, London continues to make up over half of total UK investment.

Compared to the previous quarter, we are still seeing good news for the South West, which had a 10% increase in the total number of deals and a 266% increase in the amount raised.

There was also encouraging investment for the North East in terms of the amount raised, which increased by 188%. However, this wasn't reflected in the total number of deals, which dropped by 15%.

Scotland tells a mixed story in Q2 2025. Although the number of deals increased by 10% in the previous quarter, the nation's companies saw a 49% dip in the amount raised. And there continued to be less positive news for Wales, which had a 58% decrease in the number of deals and an 84% decrease in the amount raised.

The State of UK Investment: H1 2025 (cont.)



Which Industries Are Seeing the Most Investment?

Half Comparison

As we've seen in the past couple of years, software companies dominate the investment market in the UK, and H1 2025 was the same. **Software** companies secured 49% of deals and 64% of the total amount raised, which, interestingly, was the same number of deals but a 28% increase in the amount raised compared to H2 2024. Under Software sit the subsectors of SaaS and AI—let's take a closer look at how they did.

SaaS companies saw a 12% increase in the number of deals made, with 657 deals in H1 2025, and a 60% increase in the amount raised (totalling £3.4 billion) over the previous half. **AI** also saw an increase across both the number of deals and amount raised—by 11% and 21% respectively.

Fintech companies had an increase in investment, with 12% of all deals made (496) and 40% of the total amount invested (£2.7 billion). Overall, tech companies performed well this half, with investment also rising in adtech, lawtech, and martech.

But these weren't the only industries to gain more investment. Another standout is **digital security**, which had a 12% increase in the number of deals made and a huge 422% increase in the amount raised, rising to a total of £535 million invested in H1 2025.

This may come as a reaction to the number of cyber security attacks the UK has experienced recently, such as the wave of attacks on supermarkets M&S and Co-op, which happened earlier this year. In fact, according to [The Cyber Security Breaches Survey 2025](#), 43% of businesses and 30% of charities reported having experienced some kind of cyber security breach or attack in the last 12 months.

Quarterly Review

However, when we look at our quarterly comparison, we see a different picture. Overall, almost all industries saw a decrease in the number of deals made and the amount raised Q-on-Q, including IT and telecoms, professional services, entertainment, software, manufacturing, and construction. Though there are a couple of outliers.

Of note, almost all industries saw a decrease in the number of deals made and the amount raised in Q2 2025.

Despite a 26% drop in deal count, the financial services sector saw a 35% increase in funds raised, raising £1.1 billion in Q2 2025. Some tech subsectors, including **blockchain**, **insurtech**, **edtech**, and **proptech**, not only attracted more deals but also raised larger amounts in Q2 2025.

SaaS, **AI**, and **fintech** all saw declines in both deal volume and amount raised this quarter, despite performing well half-on-half, possibly suggesting early signs of a funding slowdown for the market's favourite sectors—we'll only know once 2025 comes to a close.

The State of UK Investment: H1 2025 (cont.)



Company Stages of Evolution

Half Comparison

When we look at the stage of evolution data, as usual Seed-stage companies lead the way in the number of deals made (1,242). However, these businesses rank at the bottom for the amount raised (£1.16 billion) due to their low average deal size. Venture-stage companies raised the most (£2.99 billion) and came in second place for number of deals (956).

Established-stage companies recorded the smallest number of deals (172) but saw the most dramatic funding growth compared to the previous half, with a 99% increase from H2 2024 to H1 2025—raising £2.91 billion in the latest half.

Growth-stage companies ranked third for both deals and amount raised in this period.

Quarterly Review

The quarterly trends mirrored the half-year results in several areas. Seed-stage firms continued to lead in deal volume with 579 transactions, but again saw the least investment at £540 million.

Established-stage companies maintained their pattern of fewer deals (77) but topped the charts for capital raised, bringing in £1.71 billion. Growth-stage firms, consistent with the half-year picture, placed third in both deal count and total funding.

Overall, established companies saw increased average deal size and total raised across both H1 and Q2 2025. This means, as we've seen before, investors appear to be favouring stability over risk.

The State of UK Investment: H1 2025 (cont.)



Company Valuations

Half Comparison

Valuations continued their downward trend across the first half of 2025, reflecting the enduring cautious and value-driven investor mindset that we saw in our stage of evolution analysis.

Looking half-on-half, pre-money valuations fell at every stage of evolution. Companies at the Growth stage saw the most pronounced decline, dropping from £68 million in H2 2024 to £38 million in H1 2025.

Growth-stage founders seem to be getting squeezed—they're still raising decent amounts of money, but they're having to give up more of their company to get it. This might be because investors are now expecting more proof that these businesses can scale, make money, or eventually exit successfully.

At earlier stages, like Seed or Venture, valuations are often based more on potential. But at the Growth stage, investors are being more careful and focused on real results, which makes it harder for companies to hold onto the high valuations we've seen in the past.

Quarterly Review

The picture becomes even starker when looking at quarterly data. In Q2 2025, the overall mean valuation fell to its lowest point since Q1 2019, marking a six-year low. The most dramatic shift came at the Established stage, where the average valuation plummeted from £76 million in Q1 to just £20 million in Q2—a staggering drop in a single quarter and the lowest quarterly figure for established companies since Q3 2015.

This steep fall again reflects heightened investor scrutiny around profitability, sustainability, and deal terms, especially for mature businesses, where expectations around value are typically more rigid.

The State of UK Investment: H1 2025 (cont.)



Top Five Announced Deals of H1 2025

1. CityFibre

Amount raised: £500 million
Deal date: 24 June 2025
Location: London
Industry: Information technology;
telecommunications and data

CityFibre designs, builds, and operates nationwide full-fibre broadband infrastructure. In June, the company raised £500 million. The investment came from Antin Infrastructure Partners, Goldman Sachs Alternatives, Interogo, Mubadala Investment Company, among others—and the investment is to ensure CityFibre meets its rollout targets.

2. Isomorphic Labs

Amount raised: £464 million
Deal date: 31 March 2025
Location: London
Industry: Application software;
biotechnology

Isomorphic Labs has developed a drug design platform that enables companies to utilise AI models to design pharmaceuticals. The company went through its first funding round in March, raising £464 million. The investment came from Google Ventures and Thrive Capital, and was a research and development investment.

3. FNZ

Amount raised: £393 million
Deal date: 7 April 2025
Location: London
Industry: Financial services;
information technology

FNZ creates wealth management software and investment platforms, in partnership with wealth managers, retail banks, life insurers, and other financial services companies. In an effort to improve its technical capabilities and grow the company, FNZ raised £393 million in April.

4. CMR Surgical

Amount raised: £154 million
Deal date: 2 April 2025
Location: Cambridge
Industry: Application software;
medical devices

CMR Surgical develops robotic medical devices for use in surgical procedures and develops a surgical data platform. In the company's ninth funding round, CMR Surgical raised £154 million to support its expansion into the U.S.

5. ElevenLabs

Amount raised: £145 million
Deal date: 30 January 2025
Location: London
Industry: Application software;
languages, translation, and
interpretation

ElevenLabs is an AI audio research and product company. In January, the company raised £145 million in equity with 18 funds contributing to the investment. The money will be used to improve its AI-driven audio technology.

The State of UK Investment: H1 2025 (cont.)



Top Five Unannounced Deals

In H1 2025, 65% of deals went unannounced—the highest proportion since H1 2020. Tracking unannounced fundraising is crucial because it reveals hidden investment activity, offering a more complete and accurate picture of the UK market.

The data for our top five unannounced fundraisings was compiled on 1 August 2025.

1. Ultromics

Amount raised: £43.2 million
Deal date: 27 June 2025
Location: Oxford
Industry: Application software; clinical diagnostics

Ultromics makes machine learning technology which aims to detect heart diseases through analysing ultrasound data. To enter new markets and expand within the U.S., the company raised £43.2 million in June—the investment came from several funds including Oxford Science Enterprises and the University of Oxford.

2. GB Bank

Amount raised: £34.8 million
Deal date: 17 February 2025
Location: London
Industry: Banking

GB Bank operates a bank that's aimed at providing property development finance to typically underserved regions. In February, the company secured £34.8 million with a 32.8% stake taken.

3. Abingdon Software

Amount raised: £25.0 million
Deal date: 18 March 2025
Location: London
Industry: Application software; technology consultancy and IT telecommunications support

Abingdon Software develops and acquires specialised software solutions for various sectors across Europe and the U.S. In March, the company went through its fourth funding round, raising £25.0 million.

4. Tortoise

Amount raised: £21.9 million
Deal date: 22 April 2025
Location: London
Industry: Newspapers, magazines, and online publishing

Tortoise operates a media company that provides in-depth and analytical news coverage. The company raised £21.9 million in April, for a 56% stake. It then went on to acquire The Observer for £25 million.

5. Pulmocide

Amount raised: £20.7 million
Deal date: 18 April 2025
Location: London
Industry: Biotechnology; pharmaceuticals

Pulmocide is developing novel inhaled anti-infective therapies, notably the antifungal opelconazole, for treating serious lung infections such as pulmonary aspergillosis. In its ninth fundraising event, the company secured £20.7 million bringing its total equity raised up to £215 million.

The State of UK Investment: H1 2025 (cont.)



How Does Beauhurst Find Unannounced Fundraisings?

At Beauhurst, we track company filings daily to uncover fundraises that aren't publicly announced, giving us a comprehensive view of the UK fundraising landscape.

However, filings can be submitted months after a deal closes, so some unannounced fundraises completed within the half may not be visible at the time of reporting.

Credit

Lily Ruaah (Author)

Lily is a content associate and professional writer, with over seven years of experience. She is responsible for content creation at Beauhurst and specialises in both creative and analytical writing. Prior to this, she worked in SEO and completed an M.A. in creative writing.

Christopher Landry (Design)

Christopher is Beauhurst's senior designer, specialising in the creation of strategic, compelling, and well-crafted brand and marketing materials. Christopher has over 15 years' experience and has helped brands across Australia, Canada, Europe, and the U.S.

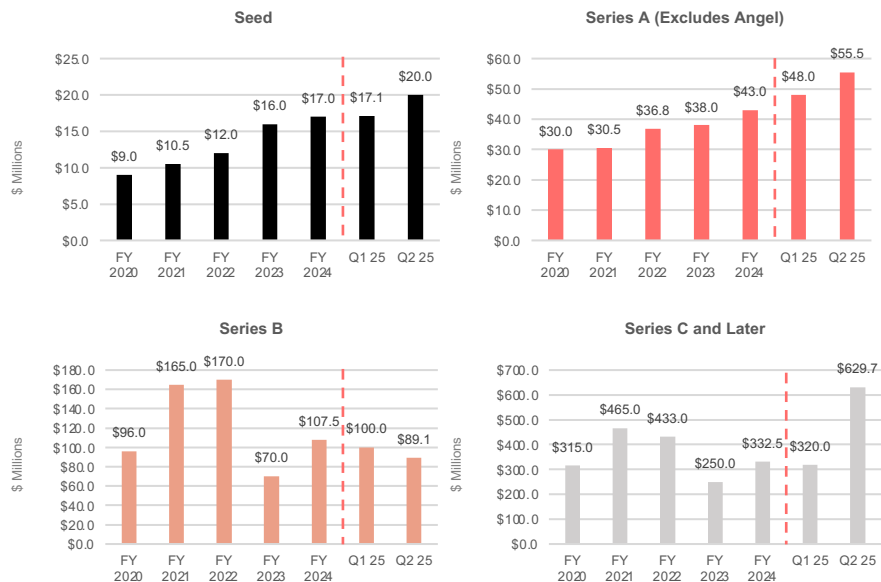
About Beauhurst

Beauhurst is a searchable database of the UK's high-growth companies. We report on all equity fundraisings in the United Kingdom, both those announced in the press and those that go unannounced. Alongside this, we track all grants awarded to UK companies, as well as their financial accounts, key people, accelerator attendances, university spinout events, management buy-ins, and more. Through this private research and data curation, we have built a database of more than 45,000 high-growth private companies in the UK, many of which are solving global problems and pioneering new technology.

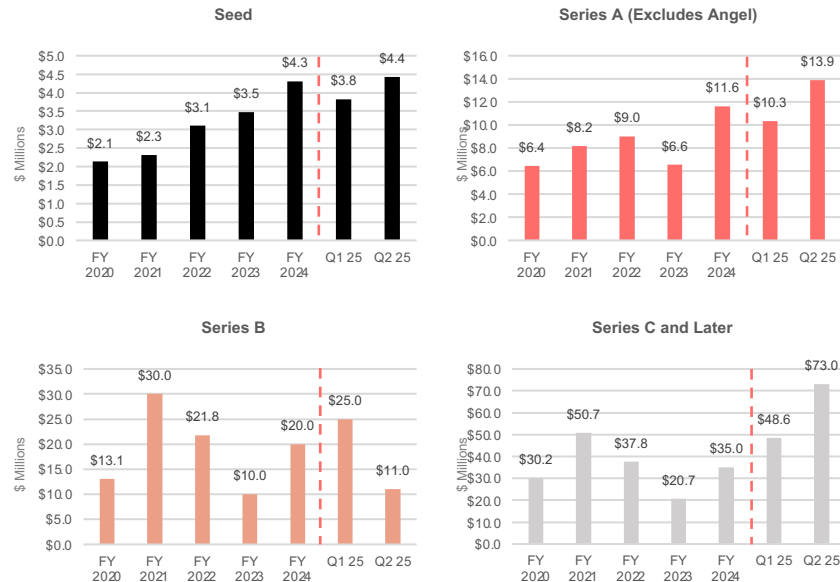
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Appendix – A Yearly Look-Back on Equity Valuations and Raise Amounts

Pre-Money Median Valuations



Equity Fundraise Median Amounts



Appendix – Private Company Financing Deal Terms (Wilson Sonsini Deals)¹

	2020 All Rounds ₂	2021 All Rounds ₂	2022 All Rounds ₂	2023 All Rounds ₂	2024 All Rounds ₂	1H 2025 All Rounds ₂	2020 Up Rounds ₃	2021 Up Rounds ₃	2022 Up Rounds ₃	2023 Up Rounds ₃	2024 Up Rounds ₃	1H 2025 Up Rounds ₃	2020 Down Rounds ₃	2021 Down Rounds ₃	2022 Down Rounds ₃	2023 Down Rounds ₃	2024 Down Rounds ₃	1H 2025 Down Rounds ₃
Liquidation Preferences - Series B and Later																		
Senior	35%	24%	30%	26%	29%	18%	32%	23%	26%	20%	13%	13%	56%	50%	64%	38%	63%	33%
<i>Pari Passu</i> with Other Preferred	63%	75%	70%	74%	71%	80%	67%	76%	74%	80%	87%	85%	44%	50%	36%	62%	35%	67%
Junior	0%	1%	0%	0%	1%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%
Complex	1%	0%	0%	0%	0%	3%	1%	0%	0%	0%	0%	2%	0%	0%	0%	0%	0%	0%
Participating vs. Non-Participating																		
Participating - Cap	4%	4%	3%	2%	3%	4%	6%	4%	3%	4%	7%	6%	0%	0%	0%	14%	2%	7%
Participating - No Cap	8%	6%	6%	8%	4%	3%	8%	7%	7%	10%	2%	0%	24%	0%	36%	24%	6%	13%
Non-Participating	88%	90%	91%	90%	93%	93%	86%	89%	90%	85%	91%	94%	76%	100%	64%	62%	92%	80%
Dividends																		
Yes, Cumulative	10% ⁴	5%	6%	3%	4%	3%	10% ⁴	6%	8%	6%	7%	8%	25% ⁴	0%	8%	0%	2%	7%
Yes, Non-Cumulative	79% ⁴	56%	51%	46%	42%	35%	83% ⁴	65%	57%	53%	52%	48%	69% ⁴	57%	58%	65%	65%	67%
None	10% ⁴	39%	43%	51%	55%	62%	7% ⁴	29%	35%	40%	42%	44%	6% ⁴	43%	33%	35%	33%	27%
Anti-Dilution Provisions																		
Weighted Average - Broad	95%	97%	98%	98%	96%	100%	98%	98%	99%	100%	94%	100%	76%	100%	100%	95%	100%	100%
Weighted Average - Narrow	1%	1%	0%	1%	0%	0%	2%	1%	0%	0%	0%	0%	6%	0%	0%	5%	0%	0%
Ratchet	1%	1%	1%	0%	1%	0%	0%	1%	1%	0%	0%	0%	6%	0%	0%	0%	0%	0%
Other (Including Blend)	1%	0%	0%	0%	0%	0%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
None	2%	1%	1%	2%	3%	0%	0%	0%	0%	0%	6%	0%	12%	0%	0%	0%	0%	0%
Pay-to-Play - Series B and Later																		
Yes, Pay-to-Play	7%	3%	7%	8%	10%	8%	3%	3%	4%	4%	2%	2%	12%	17%	43%	10%	27%	33%
None	93%	97%	93%	92%	90%	92%	97%	97%	96%	96%	98%	96%	88%	83%	57%	90%	73%	67%
Redemption																		
Yes, Redemption	13%	10%	8%	5%	8%	6%	10%	15%	12%	4%	12%	6%	25%	17%	7%	15%	4%	7%
None	88%	90%	92%	95%	92%	94%	90%	86%	89%	96%	88%	94%	75%	83%	93%	86%	96%	93%

¹ We based this analysis on deals having an initial closing in the period to ensure that the data clearly reflects current trends. Please note the numbers do not always add up to 100% due to rounding.

² Includes flat rounds and, unless otherwise indicated, Series A rounds.

³ Note that the All Rounds metrics include flat rounds and, in certain cases, Seed and Series A financings as well. Consequently, metrics in the All Rounds column may be outside the ranges bounded by the Up Rounds and Down Rounds columns, which will not include such transactions.

⁴ The 2020 increase in the number of transactions reported as including dividends resulted in part from a change to our reporting methodology.

Appendix – Convertible Notes – Deal Terms (Wilson Sonsini Deals)

Convertible Notes ¹	2020 Pre-Seed	2021 Pre-Seed	2022 Pre-Seed	2023 Pre-Seed	2024 Pre-Seed	1H 2025 Pre-Seed	2020 Post-Seed	2021 Post-Seed	2022 Post-Seed	2023 Post-Seed	2024 Post-Seed	1H 2025 Post-Seed
Interest rate less than 8%	85%	90%	44%	52%	48%	57%	54%	69%	68%	32%	23%	39%
Interest rate at 8%	11%	5%	44%	26%	24%	43%	30%	24%	12%	35%	26%	43%
Interest rate greater than 8%	4%	5%	11%	22%	29%	0%	16%	7%	20%	34%	51%	17%
Maturity less than 12 months	11%	14%	30%	38%	19%	14%	27%	25%	29%	28%	42%	54%
Maturity 12 months	11%	5%	0%	13%	24%	29%	13%	18%	16%	21%	12%	17%
Maturity more than 12 months	79%	81%	70%	50%	57%	57%	60%	58%	55%	52%	46%	29%
Debt is subordinated to other debt	13%	14%	40%	17%	25%	33%	46%	48%	41%	39%	35%	38%
Loan includes warrants ²	4%	0%	0%	0%	0%	0%	12%	6%	20%	22%	15%	21%
Warrant coverage less than 25%	100%	N/A	N/A	N/A	N/A	N/A	67%	0%	11%	45%	50%	33%
Warrant coverage at 25%	0%	N/A	N/A	N/A	N/A	N/A	0%	0%	0%	0%	0%	0%
Warrant coverage greater than 25%	0%	N/A	N/A	N/A	N/A	N/A	33%	100%	89%	55%	50%	67%
Automatic conversion into equity on qualified financing ³	100%	100%	100%	92%	89%	100%	92%	96%	93%	88%	96%	87%
Voluntary conversion into equity on qualified financing ³	0%	0%	0%	8%	11%	0%	8%	4%	7%	12%	4%	13%
Conversion rate subject to price cap ⁴	68%	71%	56%	54%	50%	43%	36%	52%	32%	47%	47%	30%
Conversion to equity at discounted prices	78%	75%	50%	88%	78%	83%	79%	70%	78%	80%	84%	77%
Conversion to equity at same price as other investors	13%	15%	30%	8%	17%	17%	17%	25%	20%	10%	8%	23%
Discount on conversion less than 20%	11%	20%	40%	14%	36%	0%	25%	21%	29%	18%	16%	24%
Discount on conversion at 20%	69%	60%	20%	48%	36%	80%	46%	63%	39%	55%	51%	41%
Discount on conversion greater than 20%	20%	20%	40%	38%	29%	20%	29%	16%	32%	27%	33%	35%

¹ We based this analysis on deals having an initial closing in the period to ensure that the data clearly reflects current trends. Please note the numbers do not always add up to 100% due to rounding. Pre-Seed refers to convertible notes issued prior to the first preferred stock financing. Post-Seed refers to convertible notes issued after the first preferred stock financing.

² Of the 2020 post-Seed convertible notes with warrants, 44% also had a discount on conversion into equity. Of the 2021 post-Seed convertible notes with warrants, 100% also had a discount on conversion into equity. Of the 2022 post-Seed convertible notes with warrants, 59% also had a discount on conversion into equity. Of the 2023 post-Seed convertible notes with warrants, 55% also had a discount on conversion into equity. Of the 2024 post-Seed convertible notes with warrants, 69% also had a discount on conversion into equity. Of the 1H 2025 post-Seed convertible notes with warrants, 40% also had a discount on conversion into equity.

³ The 2020 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was \$3M and \$10M, respectively. The 2021 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was \$4M and \$10M, respectively. The 2022 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was \$7M and \$10M, respectively. The 2023 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was \$5M and \$10M, respectively. The 2024 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was \$5M and \$10M, respectively. The 1H 2025 median dollar threshold for a qualified financing in pre- and post-Seed convertible notes was \$3M and \$47M, respectively.

⁴ The 2020 median price cap in pre- and post-Seed convertible notes was \$1M and \$47M, respectively. The 2021 median price cap in pre- and post-Seed convertible notes was \$12M and \$47M, respectively. The 2022 median price cap in pre- and post-Seed convertible notes was \$39M and \$50M, respectively. The 2023 median price cap in pre- and post-Seed convertible notes was \$20M and \$49M, respectively. The 2024 median price cap in pre- and post-Seed convertible notes was \$11M and \$28M, respectively. The 1H 2025 median price cap in pre- and post-Seed convertible notes was \$40M and \$50M, respectively.

⁵ Of the 2020 post-Seed convertible notes that had a discount on conversion into equity, 7% had warrants. Of the 2021 post-Seed convertible notes that had a discount on conversion into equity, 3% had warrants. Of the 2022 post-Seed convertible notes that had a discount on conversion into equity, 17% had warrants. Of the 2023 post-Seed convertible notes that had a discount on conversion into equity, 16% had warrants. Of the 2024 post-Seed convertible notes that had a discount on conversion into equity, 17% had warrants. Of the 1H 2025 post-Seed convertible notes that had a discount on conversion into equity, 12% had warrants.

Wilson Sonsini Methodology

- The Up/Down/Flat analysis is based on Wilson Sonsini deals having an initial closing in the period reported to ensure that the data clearly reflects current trends.
- The median pre-money valuation is calculated based on the pre-money valuation given at the time of the initial closing of the financing round. If the issuer has a closing in a subsequent quarter, the original pre-money valuation is used in the calculation of the median for that quarter as well.
- A substantial percentage of deals have multiple closings that span fiscal quarters. The median amount raised is calculated based on the aggregate amount raised in the reported quarter.

This report is based on detailed deal data provided by the firm's corporate and securities attorneys and analyzed by the firm's Knowledge Management department.

For purposes of the statistics and charts in this report, our database includes venture financing transactions in which Wilson Sonsini represented either the company or one or more of the investors.

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