

# SPINNING OUT SUCCESS

## What are the opportunities and challenges within the investment landscape for spin-outs?

### Facilitator:

Rosalind Darby, Senior Investment and Commercialisation Manager, University of Bristol

### Key contributors

**Michelle Law**, COO, QantX

**Geeta Nathan**, Deputy Director of Start-Up Ecosystem, Innovate UK

**Paul Devlin**, Head of Commercialisation, Cardiff University

**Molly Allington**, CEO, Albotherm

**Based on world-leading Intellectual Property (IP) and cutting-edge science and technology, university spin-out companies have enormous potential to disrupt markets, solve pressing global challenges and create jobs and wealth.**

In recent years, not only has the number of newly formed spin-outs grown across UK regions, but interest from the UK Government, Treasury, private sector, and investors has also grown around the potential for University spin-outs to have a greater impact on the UK economy.

Whilst this presents a huge opportunity, these ventures need the right investment (specifically patient capital) and support over time in order to flourish.

To address these challenges, this Investment Futures panel brought together experts to explore success pathways for spin-outs. From managing intellectual property and securing early-stage funding to building scalable business models and cultivating investor confidence, the discussion provided actionable insights into the factors that will enable spin-out success in 2025.

Leading the panel at Investment Futures, **Rosalind Darby, Senior Investment and Commercialisation Manager at the University of Bristol** has seen first-hand how researchers take their research from inception to commercialisation.

*“It feels like there’s a real buzz around university research in the UK at the moment,”*

**Rosalind Darby, Senior Investment and Commercialisation Manager, University of Bristol**

“People are realising the potential of university research, even though spin-outs only make up a small portion of the UK’s start-up companies. So, we had the Government’s independent review of spin-out companies and that’s shown market and policymaker interest in making it easier to get these companies out of the door, and set up in a way that they can attract and gain investment quicker.”





“However, despite all of this interest, it’s still a challenging time for spin-outs. Let’s start by talking about what the experience has been like for one of our start-ups.”

Offering the Founder’s perspective in this discussion was **Molly Allington, CEO of AgriTech start-up, Albotherm**. The University of Bristol spin-out is developing temperature-sensitive smart coatings that transition from transparent to reflective when exposed to heat, regulating the temperature inside buildings and greenhouses. The company had its start through the Innovate UK-funded Innovation-to-Commercialisation of University Research (ICURe) programme, a scheme designed to support researchers in exploring the commercial application of UK-based research but has since gone on to scale through SETsquared’s Scale-Up programme and raise significant investment.

“We started in 2019 and applied for the ICURe programme almost straight away. The programme was instrumental in our journey, setting us on a really clear and obvious path of being able to access the support, validate the idea, and get funding onboard to help us get on the ladder.”

“For such a capital-intensive business, there are a lot of start-up costs that you have to get through before you’re anywhere near to generating revenue. Along with that, working in the climate space means that a physical problem also needs a physical solution. Those grants we had in the very early days of Albotherm were incredibly helpful not only for these reasons but for helping us build a bit of confidence in the product before taking it forward for additional investment.”

## Do you think there are areas of support where things are missing or where there needs to be improvement to help these companies grow?

“We’re based in Bristol, and there are so many great incubators and lab spaces there that we’ve been able to scale from a team of two to a team of eight,” commented Molly. “However, when we look beyond that and start thinking about the size of space we’re going to need, I think what’s missing is the more medium-sized spaces.”

*“I think that it would be great to see a continuation of these early-stage incubators for more medium-sized, scaling businesses – that stage before you’re quite ready to sign a big lease as a company on a warehouse space.”*

**Molly Allington, CEO, Albotherm.**

In an ideal scenario, the physical infrastructure would be in place to support spin-outs at all stages of their journey. **Paul Devlin, Head of Commercialisation at Cardiff University,** shared the University’s perspective.

“There’s an awful lot of space in the private sector, but for the University, we can offer hot desking, small lab space, and as you expand, we can help you move out to perhaps some of those larger spaces as you mention, Molly. There’s a lot of collaboration that goes on between the University and those incubators in town, and the demand is very much there - between Cardiff Innovations and Cardiff Medicentre, we’re 80% full. Whilst we’d love to be able to support those companies as they grow, we simply don’t have the facilities, but we work with others, even beyond Cardiff to see how we can help them move on once they outgrow our space.”

While universities play a pivotal role in shaping the trajectory of spin-out success by fostering innovation, providing mentorship, and facilitating commercialisation, it is funding that arguably has an even greater impact. Adequate financial backing is essential for spin-outs to move from concept to market, however, investment in these companies declined significantly in 2023 – an ongoing trend that has continued to plague spin-outs in the wake of COVID-19. In this challenging environment, grants and public funding programmes have become lifelines for early-stage companies. Support from organisations like Innovate UK has proven invaluable in providing the financial stability needed for these ventures to develop their technologies and refine their business models, helping to keep them

afloat whilst still in their infancy. **Geeta Nathan, Deputy Director of Start-Up Ecosystem, Innovate UK,** discussed the importance of programmes like ICURe.

Explaining how these initiatives equip spin-outs with not only funding but also strategic guidance, enabling them to navigate the complexities of the start-up landscape, she said, “In 2024, ICURe celebrated its tenth anniversary, and over that time, the programme and its footprint has gotten wider. We’ve been reviewing the programme’s impact to date, and what really struck us is that it generates fantastic, quality spin-outs.”

*“It’s now really important to start thinking about the ecosystem that supports these companies beyond the ICURe journey – what other incubators can ICURe partner with, and who can we signpost these companies onto to ensure that they continue to receive the support they need to succeed?”*

**Geeta Nathan, Deputy Director of Start-Up Ecosystem, Innovate UK.**



Lee Gillam and Anna Vartapetiance from University of Surrey spin-out, Securium

As emphasised in the Spotlight on Spin-outs report by Beauhurst and the Royal Academy of Engineering, the number of Innovate UK awards and their total value have shown consistent growth since 2021. In 2023, spin-outs saw a remarkable 34% uplift in investment and grant value compared to the previous year – a figure that not only highlights the resilience and potential of spin-outs but also reflects the pivotal role of public funding in enabling and nurturing innovation. The expanded availability and value of grants have provided a critical lifeline for these high-potential businesses, allowing them to navigate the challenges posed by a more constrained private funding environment.

To support this, Innovate UK announced in September that it would be pairing the ICURe Programme with its Investor Partnership Programme – a scheme that enables early-stage innovation-led businesses to raise non-dilutable grant funding alongside Angel co-investment.

Geeta continued, “We’re also looking to integrate ICURe, the Catapult network and our business growth teams, meaning that from next year, all ICURe spin-outs will have a dedicated Business Growth Specialist signposting them onto additional opportunities across both the regional and national ecosystems. The journey doesn’t just stop once a company has spun out of a university, so we’re now delivering more accessible routes that allow us to continue supporting these spin-outs in the next stage of their journey.”

## What do you think about the interaction between stakeholders in the spin-out space right now?

“With the spin-out process now quite mature, in that we’ve been doing it for so many years, we needed to build a next phase that helps make those deals more straightforward to achieve. What we’re trying to do with IMPACT-IP is create templates and toolkits to streamline the process,” said Paul Devlin.

The IMPACT-IP programme aims to enhance the impact of higher education research by refining and streamlining processes. This collaborative initiative focuses on strengthening technology transfer capabilities, equipping researchers with the tools and knowledge for deal readiness whilst creating self-service resources to support the commercialisation of academic research. By doing so, it aims to deliver significant benefits to the higher education sector, investors, and industry alike.

“If I look at the Spin-Out Review, for instance, that report has given us a landing spot for equity, royalties etcetera, as well as a playbook to get those deals done. We may have been operating with some of those recommendations already, but it wasn’t made public, and now that it is, we can all operate under the same recommendations and understanding. Ultimately, I think that as a result of it, we’re now able to spend our time working towards an agreement that allows the company to spin out as soon as possible and on the best terms. It feels like that’s the norm now, whereas maybe that wasn’t the norm five or six years ago.”

## Are there any initiatives or programmes that have been particularly helpful in uncovering new opportunities?

After being introduced to QantX at a SETsquared pitching event, **Michelle Law, COO at QantX** said that the importance of meeting in person should not be underestimated. With many firms operating remotely and the convenience of online meetings still favoured by employees, Michelle still believes in the power of in-person. “If I think about the people that we have invested in through the QantX portfolio, they are often people that we have been introduced to in person. There are real benefits to networking across all different stakeholder groups. It’s simply not enough anymore to just see a name and a deck, disembodied from the founders; that doesn’t make us feel compelled to explore the opportunity further.”

*“The thing that really gets you noticed if you’re looking for funding is simply to get out there and take advantage of in-person events like these.”*

**Michelle Law, COO, QantX**

## From an investor’s perspective, what is it that attracts QantX to companies?

“So, we’re quite specific about the projects we invest in,” said Michelle. “We want to invest in spin-outs from what we call the Great South West – so that’s anywhere between Cardiff and Surrey. We also like projects that are solving societal challenges – problems where the solution could be a genuinely global opportunity – so modern healthcare, life sciences, medical technologies, and the net zero agenda of course.”

The discussion then shifted to explore the relationship between Technology Transfer Offices (TTOs) and investors, focusing on how to further strengthen the pipeline of companies emerging from universities. TTOs, which serve as the bridge between academic research and commercial application, play a central role in identifying promising innovations and nurturing them toward commercialisation. However, for these promising companies to succeed, a collaborative and supportive relationship with investors is essential.

“We are quite hands-on investors – we like to bring the commercial experience of our team and advisors to support academic founders who very often don’t have that commercial experience. Ultimately, if it’s an opportunity that has the potential of being a long-term relationship for us, we’ll likely look to start those discussions,” Michelle continued.



Veronica Greco and Teo Garcia Millan of University of Bristol spin-out, CDotBio

## The disparity between available capital and thriving pipelines

In 2021, QantX launched its inaugural £10m venture fund, investing in several SETsquared-supported companies including Neuronostics and Kelpi. “When the fund was first launched, the investors at QantX were curious as to what was actually out there. As time has gone on, however, we have learnt that there has been more opportunity than we’ve actually been able to fund, and the existing portfolio has even more of a need than we can fund going forward.”

*“There really is no shortage of opportunity at the moment, and the quality of the pipeline across our patch is astoundingly good”*

**Michelle Law, COO, QantX**

Michelle emphasised that the current challenge lies not in the abundance of talent emerging from the region but in the increasing investment demands needed to nurture it. She identified QantX’s most significant and recurring challenge as the need to secure additional funding year after year and emphasised the importance of ensuring that QantX does not become the sole source of capital in the region.

Instead, she envisions the development of a dynamic and diverse funding ecosystem where multiple investors, each bringing unique resources and expertise, collaborate to support both new and existing portfolio companies. This, she believes, is crucial for fostering long-term innovation and growth across the region.

“What we need right now is advocacy. We need people who are in different spaces but are influential in those areas, to come forward and bolster the funding available to the talent that’s emerging from the South West. That’s where the real challenge lies right now.”

In October 2024, SETsquared Partnership and QantX announced a new £300m investment vehicle to drive innovation across science and technology companies in the South West. This new partnership seeks to open up new co-investment opportunities – a move that will help to de-risk early-stage deep tech propositions for the VC and Angel investment community, whilst simultaneously increasing the overall amount of capital available. It is expected that this will be available to spin-outs in the region from as early as 2026.

The discussion around technical expertise amongst the investor community in these high-technology sectors was also referenced, with questions raised about how investors can expand their competency to support a broader range of spin-outs and opportunities.

Geeta Nathan highlighted the pivotal role of the ICURe programme in bridging the gap between investors and innovative technology areas where they might lack expertise. She explained that the programme acts as a preparatory pathway for spin-outs that equips investors with the necessary due diligence ahead of any formal discussions. “The programme helps investors feel confident in the opportunities presented to them by doing the due diligence in advance of any discussions,” she noted. “We’ve found that this part of the ICURe programme gives investors the confidence to get behind these spin-outs at the earliest possible opportunity.”

Nathan also emphasised the significance of the Investor Partnerships Programme in complementing this process. She described how the grant allows founders to further de-risk their ventures, working closely with an Angel investor to explore the commercial aspects of the opportunity. This collaborative approach ensures that emerging businesses are not only financially supported but also strategically guided, enhancing their potential for long-term success.



Jenny Bailey and Tim Holmes of University of Bristol spin-out, Ferryx

From the founder's perspective, Molly Allington explained that one of the primary hurdles Albotherm faced in its earlier stages was surrounding the due diligence process. She elaborated to say that navigating the complexities and requirements of due diligence had, at times, slowed the company's progress and presented significant obstacles on the journey.

"There have been a lot of angel groups that have turned us away before we even had the opportunity to pitch purely because they don't have the expertise to do the due diligence. But we've found that bringing the syndicates together to share their expertise has been hugely beneficial, and helps to speed up the process for everyone involved."

"The SETsquared universities really are open for business," added Paul Devlin. "We have deal terms on equity and royalties that are fair for all parties, and we've run these successfully on tens of deals already. We share expertise across the partnership and what we're hearing loud and clear from investors is that speed of execution is very important. As we build this momentum and get more deals done, we'll be able to do business faster. So, I know that universities can seem intimidating, but if you drop off in Bristol, you can see an opportunity in Cardiff. If you drop off in Cardiff, you can see an opportunity in Bath."

*"See SETsquared as an open door to get involved in innovation in the South West."*

**Paul Devlin, Head of Commercialisation, Cardiff University**

## IN SUMMARY

The UK spin-out ecosystem faces a unique set of challenges and opportunities as it navigates an increasingly complex investment landscape. While the sector holds significant potential for continuing to drive innovation and economic growth, access to funding and investment needs bolstering to deliver against both regional and national targets. Despite this, the support provided through initiatives like Innovate UK's ICURe programme and the collaboration between universities and incubators like SETsquared remains crucial in ensuring the continued success of early-stage spin-outs.

The shared insights of our founders, investors, and ecosystem practitioners reinforce the need for strategic support, both financially and in terms of commercial expertise, to help spin-outs grow and thrive. As the region moves towards developing a more comprehensive investment model, the ongoing collaboration between universities, investors, and public funding bodies is crucial in sustaining momentum for spin-out success in the future.



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