

YCF Diversity Data Report - 2018-2023

Summary

Key findings include:

- In 2023, the median amount raised by women per round of funding was £254k compared to exactly £1 million per round for men, requiring women to conduct almost four times the number of rounds to reach the same funding amount.
- Of the investor groups, Equity Gap is Scotland's most frequent backer of women-owned businesses, backing 30% of the rounds that took place from 2018-2023. Eos provided the greatest funding in terms of total amount, with the 4 rounds led or supported by Eos totalling £11.6m
- In six years, 31 companies that were owned and controlled by women were backed through equity investment, across 39 rounds (not including crowdfunding).
- The best performing year in terms of the proportion of total funding that went to women was 2023, with 2.6p of every pound.

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Background

A huge amount of activity has taken place in recent years by various organisations to monitor and address the lack of diversity in investment-backed companies in Scotland.

Understanding diversity in investment allocation involves analysing various factors. Whilst some reports monitor the gender split of the founding teams, and others monitor the gender split of the board or those who are in leadership positions, YCF has chosen to analyse our deal monitor based on the ownership and control structures of companies that have secured funding in Scotland over the past six years.

Persons with significant control

In the UK, a 'person with significant control' (PSC) refers to an individual or legal entity that has significant influence or control over a company. This concept was introduced as part of the Small Business, Enterprise and Employment Act 2015 and is aimed at increasing transparency around who ultimately owns and controls UK companies. Under UK law, companies are required to identify and maintain a register of their PSC, providing details such as their name, nationality, and the nature of their control over the company. This information is then submitted to Companies House and made publicly available.

In this report, YCF sought to gain a better understanding of investment allocation by examining the PSC register of all companies reported in YCF's deals monitor over the past six years. We analysed the total investment allocation by year and by gender of the PSC register.

Inclusions and exclusions

YCF's deals monitor mainly tracks equity investments but also any major loans or grants that are reported in the press. SMART Scotland grant awards were generally not included in the main YCF deals monitor from 2018-2023 and are therefore not included in this report's data set, with the exception of twelve entries that were either part of a larger round or otherwise specifically featured in an article.

There was just one company where an individual listed as a PSC was neither on the board of the company nor evidently an employee at any point in the company's history, so we placed this company in the 'neutral' category as the individual had not been involved with any of the company's fundraising activities and inclusion would distort the gendered data.

The Scottish EDGE awards are also not included in our data set, but we will publish the competition's own diversity data separately to show impact the significant work undertaken by the organisation to encourage and support women entrepreneurs has had on its figures.

Definitions

Neutral: Companies that are either owned by non-gendered 'legal entities' (eg. other companies, investment funds, etc) or that have so many shareholders that there is no single person (or persons) with significant control.

Women: Companies that had at least woman listed with significant control on the date that the investment took place, even if she then is no longer listed as a PSC immediately following the deal, but no men. Companies listing at least one woman as a PSC *and* a neutral entity are still classed as 'Women' in this report. If there are no women listed as PSC at the time that the deal takes place (even if there has been a woman listed in previous years) this does *not* count as 'Women' in this report. If there is both a woman and a man listed with significant control at the time of the deal, this is classed as 'Mixed' (see below).

Men: The same rules apply to 'men' as they do to 'women', except it requires at least one man and no women listed as PwSC.

Mixed: These companies need to have at least one man and at least one woman listed as PwSC at the time that the deal takes place.

Chart 1: Number of deals completed 2018-2023

In 2023, 5.4% of the total rounds of funding went to 'Women', 48.3% went to 'Men', and 5.4% went to 'Mixed'.

The best year for 'Women' in terms of number of deals completed was 2022, completing 7.5% of the total number of deals, compared to 42.8% of the deals that year going to 'Men'. 'Mixed' completed 4.5% of the deals that year.

Including the 'Mixed' companies, the number of rounds completed by companies with at least one woman PSC were all between 10-12% of the total number, except in 2019 when just 6.3% of the rounds went to companies with at least one woman listed as a PSC.

	2018		2019		2020		2021		2022		2023	
Neutral	54	41.9%	60	42.3%	63	35.6%	96	43.8%	91	45.2%	61	40.9%
Mixed	8	6.1%	3	2.1%	8	4.5%	13	5.9%	9	4.5%	8	5.4%
Men	62	48.1%	73	51.4%	95	53.7%	100	45.7%	86	42.8%	72	48.3%
Women	5	3.9%	6	4.2%	11	6.2%	10	4.6%	15	7.5%	8	5.4%
TOTAL	129		142		177		219		201		149	

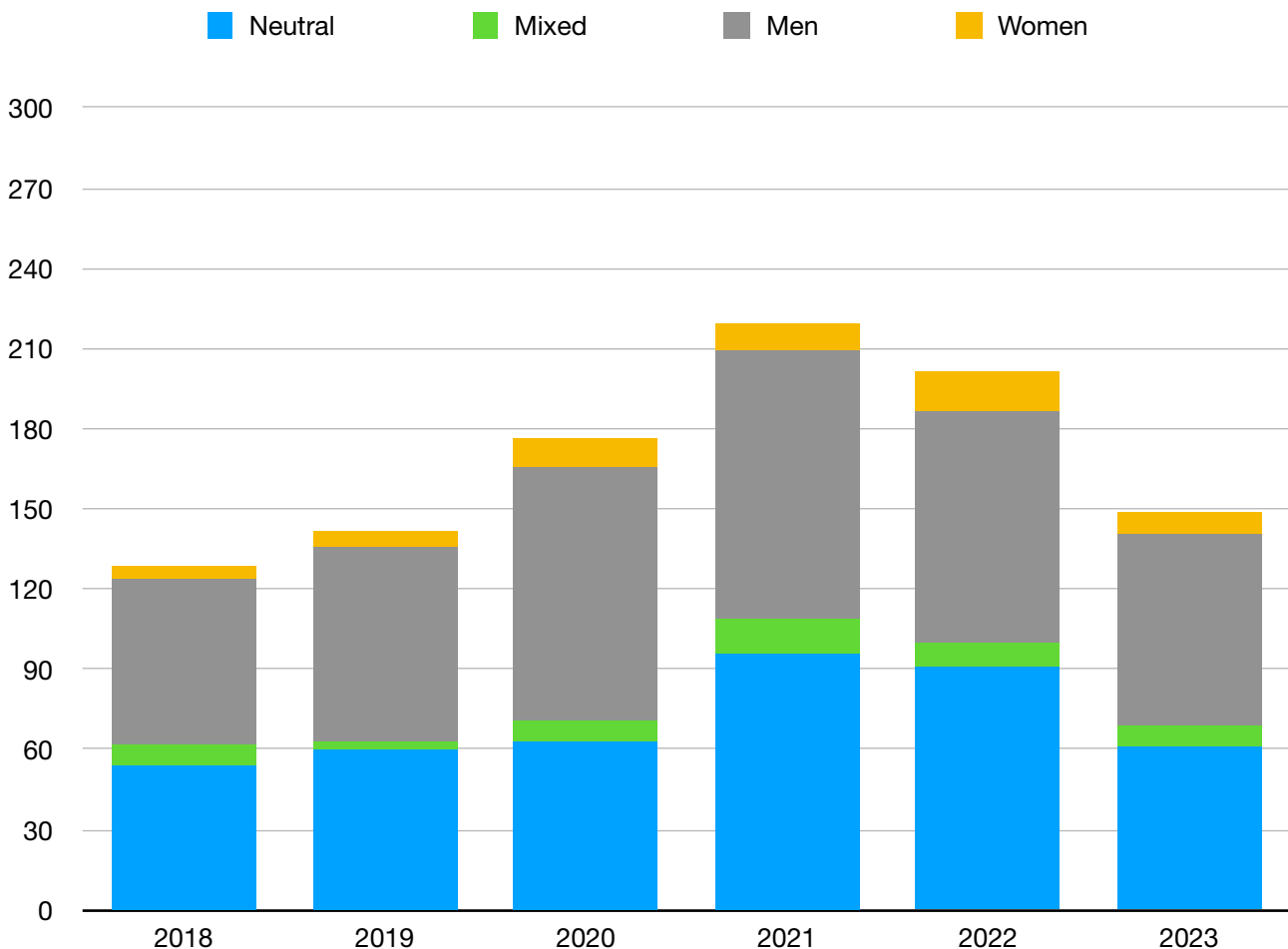


Chart 2: Total funding (in £'000)

The best year for 'Women' in terms of the proportion of total funding allocated was 2023, with 'Women' receiving 2.6p out of every £1, while 'Men' received 34p and 'Mixed' received 1.4p.

Despite 2022 being a record year for funding in Scotland, with over £1bn funding going into the young company market, less than £1p of every £1 went to 'Women' businesses, while 27.2p went to 'Men'.

As we would expect, 'Neutral' companies received the greatest proportion of funding every year as it is very common for founders to be diluted as companies scale and the size of the investment rounds increase accordingly.

Total funding in £'000

	2018		2019		2020		2021		2022		2023	
Neutral	134,222	60.8%	260,527	70%	212,332	50.1%	676,162	69.8%	772,559	70.3%	240,685	62%
Mixed	1,389	0.6%	3,000	0.8%	4,016	0.9%	34,548	3.6%	16,170	1.5%	5,530	1.4%
Men	84,191	38.1%	106,866	28.7%	199,158	47%	252,879	26%	298,096	27.2%	132,109	34%
Women	1,135	0.5%	1,696	0.5%	8,436	2%	5,670	0.6%	11,351	1%	9,918	2.6%
TOTAL	220,937		372,089		423,942		969,259		1,098,176		388,242	

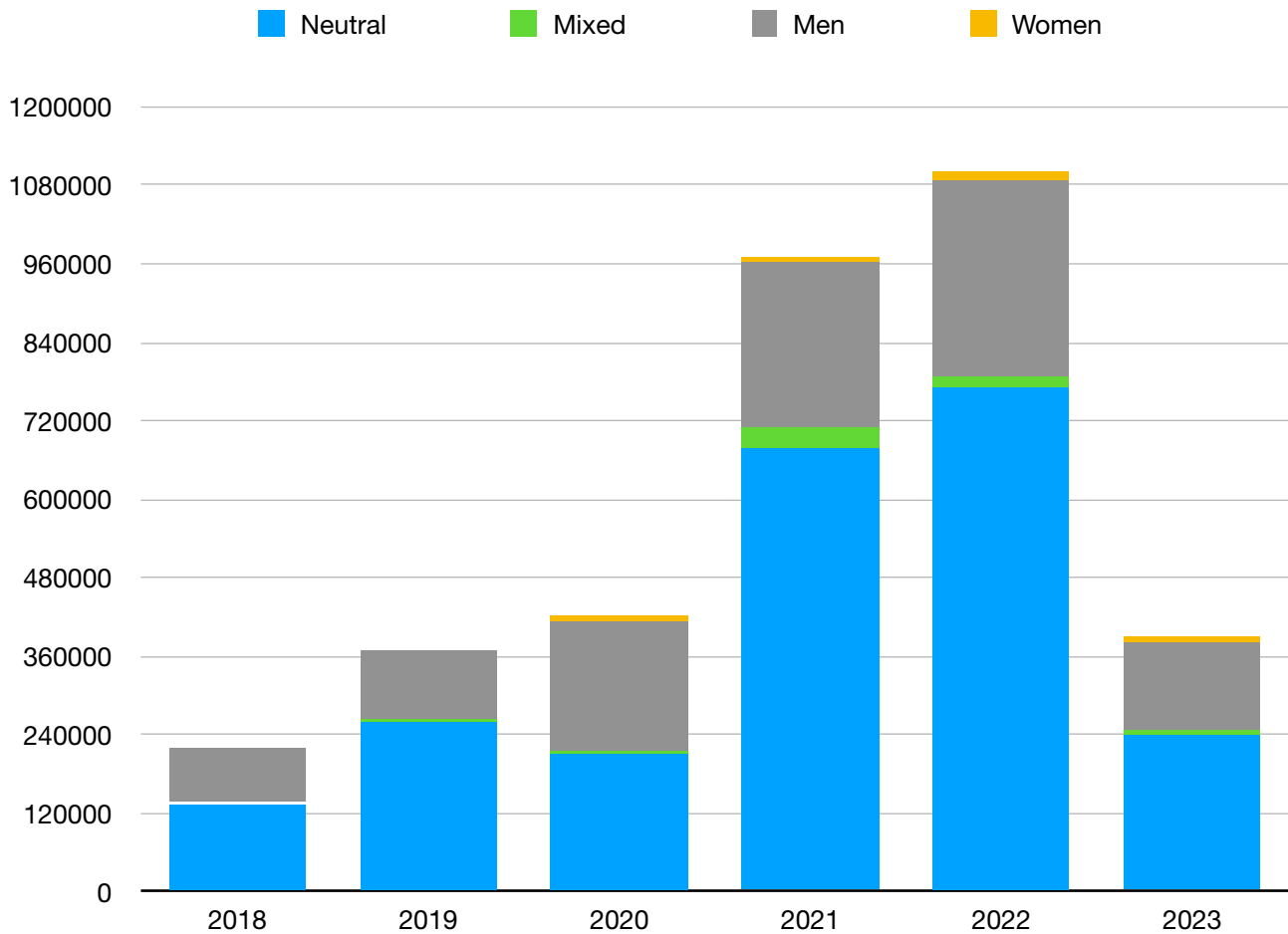


Chart 3: Median funding amount per deal (in £'000)

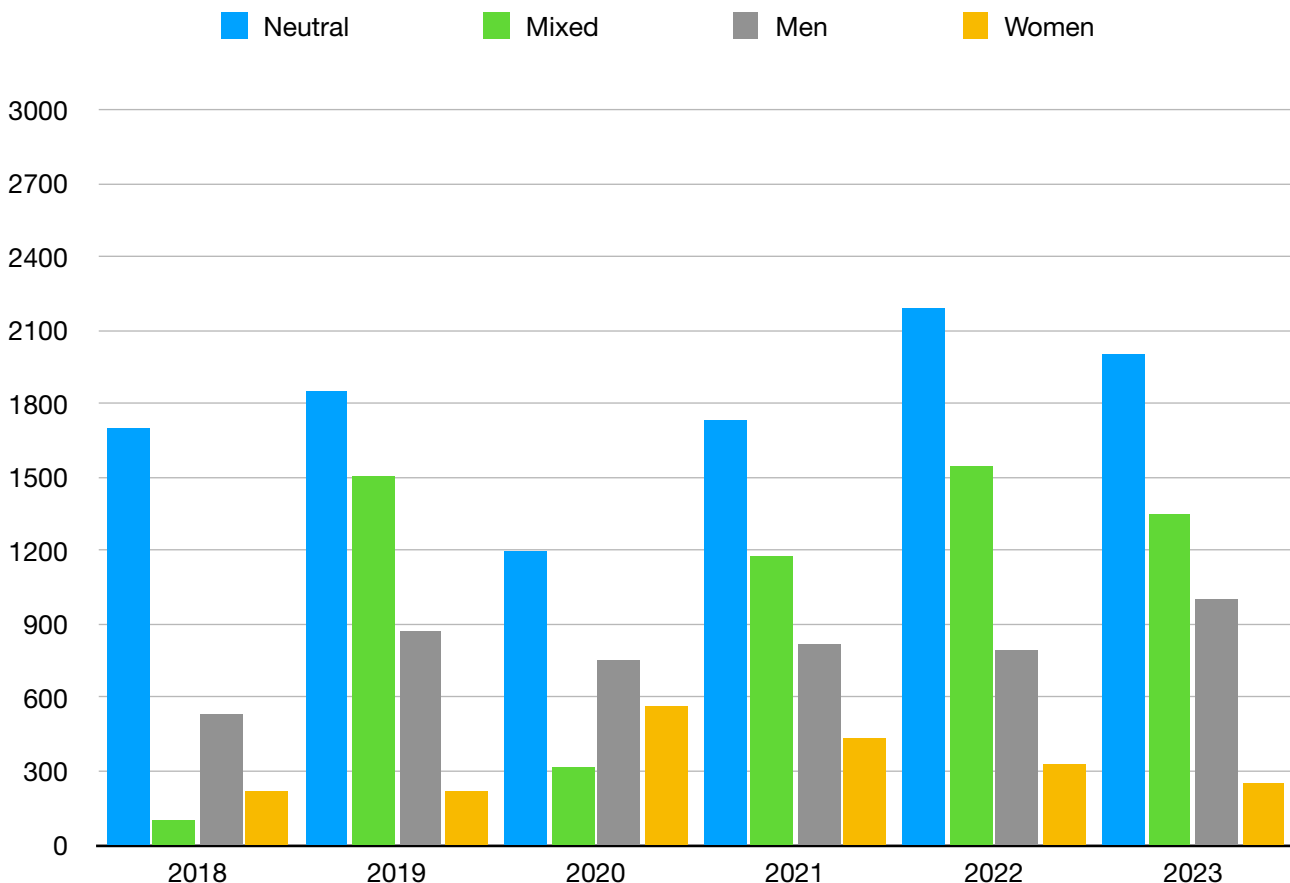
The best year for 'Women' companies in terms of median size of round was 2020, when they received £526k per round compared to £750k per round received by 'Men'. However, each year since has shown a decline in the median value of 'Women' rounds, with 2023 revealing a median of £254k per round compared to exactly £1m per round for 'Men', requiring 'Women' to conduct almost four times the number of rounds to reach the same funding amount.

'Mixed' companies compared favourably to both 'Women' and 'Men' most years, with 4 years showing median rounds of over £1m. 'Neutral' companies have the highest median as these companies are typically raising at a later stage of investment.

The median amount raised by 'Women' per round from 2018-2023 was £337k.

Median funding per round in £'000

	2018	2019	2020	2021	2022	2023
Neutral	1,699	1,850	1,200	1,727	2,185	2,000
Mixed	100	1,500	317	1,180	1,550	1,350
Men	537	875	750	822	797	1,000
Women	218	214	562	438	331	254
Overall Median	644	1,000	850	1,200	1,306	1,100



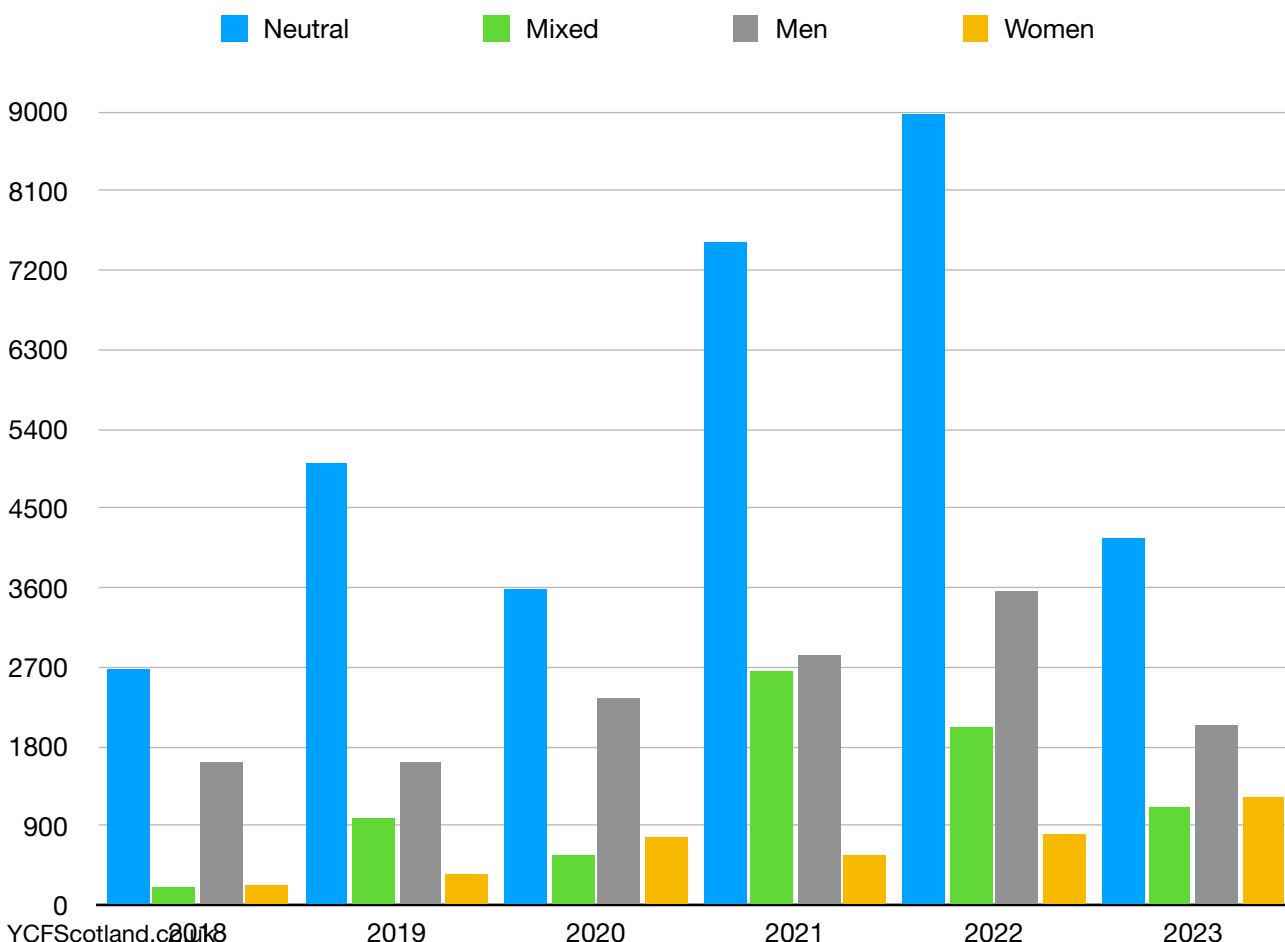
Average amount raised per deal

We opted to publish the median figures in YCF’s March 2024 edition as the median figures are more balanced and tell a more realistic story of how many rounds are required for ‘Women’ to complete to reach parity with ‘Men’ or ‘Mixed’ companies. This is due to the very large and very small deals that can distort the figures when we look at the ‘average’ size of rounds, especially in years when only a handful of deals took place for ‘Women’ and ‘Mixed’ teams.

However, we have included these figures in this full report as they do indicate that there has been an increase in deals of over £1m going to ‘Women’.

In 2023, there were two deals for of £4m for “Women. Firefish Software raised £4m in February 2023 and Carcinotech raised £4.2m.

	2018	2019	2020	2021	2022	2023
Neutral	2,684	5,010	3,599	7,514	8,983	4,150
Mixed	198	1,000	574	2,658	2,021	1,106
Men	1,619	1,619	2,339	2,841	3,549	2,032
Women	227	339	767	567	811	1,240
MEAN AVERAGE	1,938	2,977	2,650	4,798	5,720	2,855



Women who were backed

Analysing the 55 deals that were funding for 'Women' (not including 'Mixed'), 45 were equity investment deals, 6 of which were crowd-funded. The remaining deals were either loans or grants.

Looking at the 39 of those deals that were raised through angels, private investors or VCs, only 16 of the deals were into companies that were new to investment.

Equity Gap was the most frequent backer of 'Women', backing 12 of the equity investment rounds (30% of the total). 8 were backed by Gabriel (20%), 4 (10%) were backed by Investing Women, Eos Advisory and Archangels respectively. Scottish Enterprise supported 21 of the investment rounds for 'Women' (53.8% of the total).

Eos Advisory was the biggest backer in terms of total funding amount going to 'Women', with the 4 rounds led or supported by Eos totalling £11.6m, and the median of those being £2.9m per round, although these 4 rounds were for 2 companies that each raised twice in the six years. Equity Gap was second, totalling £4.5m, supporting a total of 7 'Women'. Archangels was third, with deals backed by the group totalling just under £4.5m.

8 of the equity investment deals were companies raising for a second or third time during the six year period, so the total number of 'Women' companies that were backed by equity investors was 31.

The median deal value per round for (non-crowd-funded) equity investments was £373k. The total investment raised by 'Women' was £31.35m.

The equity rounds for 'Women' were in the following sectors: 16 software, 9 life sciences, 7 medtech / healthcare, 3 manufacturing, and 1 funding round for each of the cleantech, edtech, fintech and textiles sectors.

Quotes

"This data confirms our long held understanding that Equity Gap is at the forefront of investing in and adding value to female led businesses. Our investment process is designed to be member led, inclusive and accessible, allowing members to find the best early stage investment opportunities. There is no investment committee or screening process where individual biases might creep in, which is very different to institutional investors. Equity Gap has also supported more than 75 women investors, achieved gender diversity in its board and operating team and is a long standing signatory of the Investing in Women code."

Fraser Lusty, CEO, Equity Gap

"We back founders with drive, ambition and expertise, and with products or technologies that have the potential for significant growth. Although we'd all like to see more women investors and founders, Gabriel does not give preferential treatment to companies based on the gender of their founding teams. When we back women-owned businesses, it is based on the credibility of their businesses and future growth trajectory."

Gillian MacAulay, Gatekeeper, Gabriel Investment Syndicate

Scottish EDGE

Although Scottish EDGE winners were not included in this data report, the competition's CEO Evelyn McDonald shared the following information with us from Round 22, which took place in 2022:

Of the 163 applicants this was the Gender Split of Business Leadership Team;

- All Male – 68 (41%) (all male applicants were 37.5% in R21)
- All Female – 40 (25%) (increase of 10 applications versus previous round and increase of 4% of overall applicant split)
- Male & Female Split – 55 (34%)

This means that 59% of applicants have a female playing a leading role in the business – (this is exactly the same figure as R21).

At the R22 Final EDGE had 38 winners, of which 24 were either female led or mixed so that's 63% so there were more winners from businesses with a female playing a leading role in the business than not.

Leadership roles may not necessarily mean persons with significant control, but YCF's analysis of EDGE winners (as yet incomplete) does indicate far greater gender balance on the PSC register than other funding sources.

Scottish EDGE is currently looking into how much money female only and mixed teams go on to raise following an EDGE win as part of the organisation's Pathways Pledge. YCF will publish this data when it becomes available.

"I believe EDGE is successful in this area because it is a key focus for us. We encourage women, feature them in our communications, run specific events for them, ensure gender diversity on our panels, liaise with organisations supporting women in business and are generally women friendly. I think women know that and trust us with their growth plans."

Evelyn McDonald, CEO, Scottish EDGE

Links and acknowledgements

Huge thanks go to Abby Hepper who manually researched and documented the PSC registers for over 1000 companies, and to Pratik Shrestha who helped with data visualisation. Former editor-in-chief Jonathan Harris was meticulous in recording any deals reported by the angel groups and Scotland's professional advisers, as well as university incubators, Scottish Enterprise and other ecosystem managers, for inclusion in the deals monitor. Although we have only tracked the past six years in this report, the YCF deals monitor spans quarter of a century thanks to Jonathan. Thanks also to David Grahame and Lynne Cadenhead for all the advice and support, especially in the final stages of data cleaning, and to Ana Stewart for pushing the agenda for more data transparency in funding for women entrepreneurs. Finally, thank you to all the women entrepreneurs who are in the community, creating role models for younger generations, and to the funders who support their journeys.

YCF Scotland - <https://www.ycfscotland.co.uk/>

Angels Capital Scotland - <https://angelcapital.scot/>

Pathways Forward - <https://pathwaysforward.co/>

Women's Business Centre - <https://womensbusinesscentre.com/>