Report:
Unlocking Angel Investment Potential in Cyber
CYNAM
hcrlaw

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# Contents


4 **1. Foreword**

5 **2. Executive Summary**

6 **3. Background and Purpose**

7 **4. Investment Landscape**

7 4.1 Investment Trends in UK cyber security

8 4.2 Outside of the UK

9 4.3 Accelerator Programmes

10 4.4 Areas attracting investor interest

10 Cyber security for AI

11 Post Quantum Cryptography

11 Zero Trust

11 Continuous Threat Exposure Management (CTEM)

12 Third Party Risk Management (TPRM)

13 Online Safety

13 4.5 Summary

15 **5. The Investment Gap**

15 5.1 A Regional Challenge

15 5.2 Founders Perspective

16 5.3 Investors Perspective

6 Angels

17 VCs

17 5.4 Government Policy

18 **6. Angel Networks**

22 6.1 Insights

25 **7. Recommendations**

25 7.1 A Strategic Opportunity

25 7.2 Structure and Engagement

25 7.3 Funding Models

27 7.4 Brand and Positioning

27 7.5 Regulatory and Compliance

28 7.6 Deal Flow

29 7.7 Supporting founders

29 7.8 Impact on the region

30 **8. Roadmap and Next Steps**

31 **9. Conclusion**



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# 1. Foreword

HCR Law's longstanding partnership with CyNam reflects our commitment to supporting Gloucestershire's cyber security and technology sector.

Over the past 12 months CyNam has had a clear focus on engaging angel investors through a series of events held across the country. This initiative has provided valuable insights into the needs of key stakeholders – from startups and founders to venture capitalists and angel investors. It has also highlighted the broader macroeconomic benefits that a well-connected angel investment network can deliver.

In today's digital landscape cyber security continues to be one of the most pressing concerns for business leaders.  As our reliance on technology grows – both in a personal and business setting - so does the vulnerability to cyber threats. This reality underscores the vital importance of robust cyber security measures, which can only be enhanced through innovation and investment.

This report highlights the clear benefits of establishing an angel investment network, which seeks to connect investors with cyber security focused founders. By providing access to both critical investment and strategic guidance for startups, the angel investment network can accelerate the development of advanced security solutions. This, in turn, will help ensure the UK remains a global hub for cyber security and emerging technology startups, while reinforcing Gloucestershire's position as a destination of choice for innovation in this sector.

An angel investment network offers a unique platform for financial growth, knowledge sharing, and community development. Gloucestershire, with its established tech ecosystem, with GCHQ as its backbone, and strong academic links, is ideally placed to take advantage of this opportunity.

This report brings to the forefront the current challenges facing startups as they seek to remain competitive and successful in their development of emerging technology. The proposed solution – an angel investment network – can play a key role in overcoming the barriers, while enabling investors to identify and support the next generation of technology innovators.

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# 2. Executive Summary

The "Unlocking Angel Investment Potential in Cyber" report outlines the case for establishing an angel investment network focused on driving growth in the cyber security and adjacent technology sectors with a particular focus on Cheltenham, Gloucestershire, and the wider South West region.

The findings in the report build on existing research and analysis of investment in the cyber security sector as well as engagement with stakeholders from across the cyber and investment ecosystem including angel investors, VCs and founders.

Focus has also been given to understanding how successful angel networks operate as well as establishing relationships with the leaders of angel groups from across the UK.

The report identifies a current investment gap, especially for early-stage cyber security startups, despite increasing global demand for cyber security and Cheltenham's strategic advantage which include the presence of GCHQ and a concentration of high-net-worth individuals. The UK cyber security sector has seen significant growth, but early-stage funding has declined.

The key recommendations include creating a structured angel network with a supporting membership model, a clear funding strategy and a strong focus on deal flow sourcing and filtering. The network should position itself as a trusted, expert-led community with strong ties to GCHQ and its supply chain, the CyNam ecosystem, the Golden Valley development, and leading universities.

The report suggests a three-phase launch plan: establishing foundational elements in the first three months, formalizing the network and processes within the first year, and scaling the network beyond the first year. The goal is to address funding gaps, foster collaboration, and position Cheltenham as a global hub for cyber security and emerging technology investment, driving economic growth and strengthening technological resilience.

## 3. Background and Purpose

Cheltenham has long been a centre for cyber security, due to the presence of GCHQ, the UK's intelligence and cyber security agency. This has attracted a concentration of world-class talent and positioned the region as a leading hub for secure technology development.

Cheltenham benefits from a unique combination of strategic advantages. The presence of GCHQ attracts top talent and ensures a steady pipeline of innovation. Proximity to the University of Gloucestershire, Bristol, and Oxford provides access to a skilled workforce and innovative research in cyber and technology fields.  Cheltenham and the wider region also benefit from having a mature, well connected and thriving ecosystem with CyNam (the cyber cluster for the region) bringing together startups, industry, academia, and government.

Financial capital is also a strength, with a high concentration of high-net-worth individuals (HNWIs) in the Cotswolds and Western Gateway region. Even a decade ago, Cheltenham ranked among the richest towns in the UK by HNWI density: a 2012 analysis by The Guardian found 41 multi-millionaires living in Cheltenham (population ~115,000), equating to 35.44 multi-millionaires per 100,000 people, the fourth-highest rate in the country at that time.

Strong social networks within the cyber and tech communities create opportunities for collaboration and knowledge sharing.

However, the local investment ecosystem remains fragmented. Angel investors, venture capitalists (VCs), and institutional funders often operate independently, limiting opportunities for coordinated investment and strategic deal flow. Early-stage cyber startups face challenges in securing funding, and there is a clear need for greater coordination and engagement within the investment community.

This initiative aims to capitalise on Cheltenham's strategic advantages to evaluate the appetite within the ecosystem for an angel investment community focused on early-stage cyber security startups and to lay out a roadmap of activity for implementing such a community.

The project has engaged with stakeholders from across the ecosystem, including potential angel investors, startups founders, upstream VCs and supporting organisations that all form part of a collaborative ecosystem focused on driving increased funding for startups. By creating a structured roadmap, the project aims to formalise the steps that need to be undertaken to launch and sustain a successful network, build strategic partnerships, and increase deal flow, positioning Cheltenham as a global leader in cyber security and emerging technology investment.

This report is intended for prospective angel investors, venture capitalists, policymakers, and ecosystem enablers who are interested in supporting the growth of the cyber and adjacent sectors. The insights and recommendations provided will guide the establishment of a structured and effective angel network in Cheltenham.

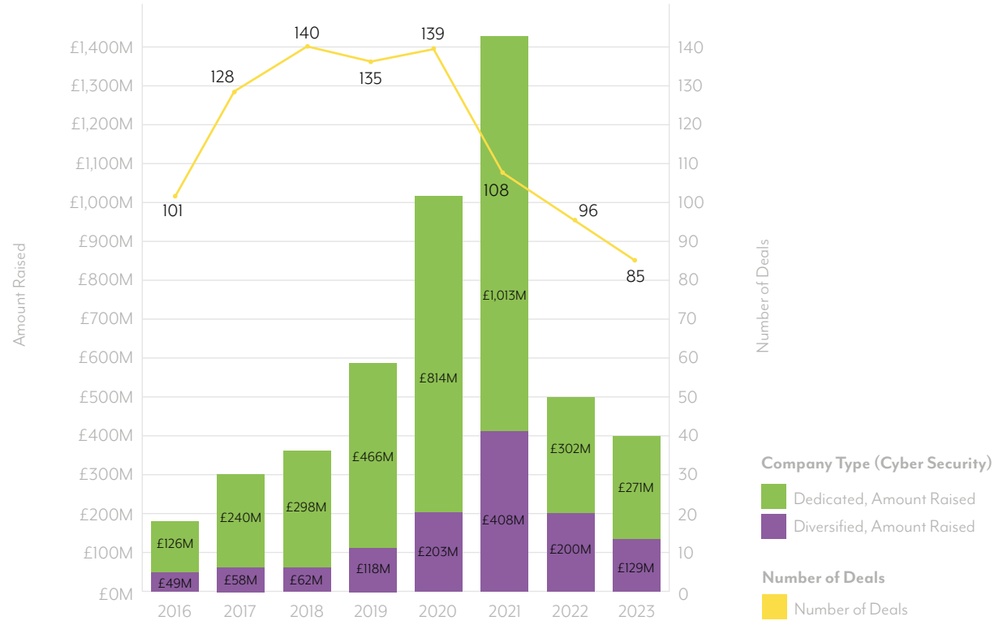
## 4. Investment Landscape

### 4.1 Investment Trends in UK cyber security

The UK cyber security sector has seen significant growth over the past 8 years. According to the DSIT Cyber Sectoral Analysis 2025 report, the industry has delivered £68.6Billion in revenue since 2017 and dedicated cyber security companies have raised £3.2Billion in investment during this time. This reflects the increasing global demand for secure technology solutions and services which saw a significant peak during the pandemic years of 2020 and 2021.

Some examples of UK cyber businesses, taking on investment and scaling include Immersive Labs, which has secured $189 million in funding to date, Darktrace, valued at over £2 billion following an IPO in April 2021 and Synk (now HQ'd in Boston) which raised a £400M Series F round in 2021. More recently, in 2024, PortSwigger raised £88M, their first investment raise.

Whilst the sector is clearly growing, the level of investment into the UK cyber security companies has dropped off significantly since the peak of 2021 as highlighted below (source - DSIT Cyber Sectoral Analysis, 2024), both in terms of the number of deals and the volume of capital deployed.




Source: UK Government cyber security sectoral analysis 2024

This reflects a broader trend across equity investments in the UK against a backdrop of rising interest rates. It was generally thought that the levels of investment are returning to a "normal" after a significant uplift in 2020/21 levels rather than a significant loss of investor confidence, however, the latest study published by DSIT in March 2025 shows that the trend is continuing to fall with total investment into Cyber companies in 2024 being £245M, lower than the levels seen in 2017.

In terms of early-stage funding, the DSIT Sectoral Analysis 2025 also notes that the proportion of investment going into micro and small sized cyber security firms is falling significantly with just 29% of the total investment for 2024 compared to 49% in 2023 and 69% in 2022.

This implies that early-stage funding is becoming increasingly difficult to obtain with VCs having a strong preference for companies that can demonstrate recurring revenue streams before they invest.

Looking at the regional picture, while the South West region has historically lagged behind other UK regions in terms of investment in dedicated cyber security companies, there were encouraging signs of growth in 2024. Although the region's share of the total investment in UK cyber security firms remained small, it increased notably from less than 1% of the UK total in 2023 to around 5% in 2024. This translated to £10.6 million invested across 6 deals in the South West, out of a total of £205 million invested in the UK's cyber security sector during the year.

**"Equity investment in the South West has remained robust, with £587 million raised in 2024 across 320+ companies. However, early-stage funding remains a challenge, with first-time equity deals continuing to decline."**

To put this into context, 2024 saw the North West outstrip London and the South East for the first time with 49% of the UK total going into the region's cyber security firms. This was only across 6 deals however, with one deal being worth £88M, (43% of the UK total).

Looking at the wider tech sector in the South West, the recently published "State of the Tech Sector" report by Tech Spark, noted that: "Equity investment in the South West has remained robust, with £587 million raised in 2024 across 320+ companies. However, early-stage funding remains a challenge, with first-time equity deals continuing to decline."

## 4.2 Outside of the UK

Looking outside of the UK and more broadly at the wider technology market we find that UK/Europe cyber startups are receiving less funding than their US and Israeli counterparts, with lower pre-seed valuations.

| Metric (Pre-Seed) | UK/Europe | United States | Israel |
|---|---|---|---|
| Typical Round Size | $600K | $0.8 M (common range $500K–$1M) | $1.0 M (common range $825K–$1.5M) |
| Average Pre-Seed Valuation | $4.8M | $10M | $6.45M |

Source: State of Pre-seed in Israel in 2025, Fusion Ventures

Specifically in cyber security , according to Mike Privette, cyber security economist and founder of Return on Security, in 2023 Europe saw 59 early-stage cyber security investments – including angel, crowdfunding, pre-seed, seed, pre-Series A, and Series A rounds. This pales in comparison to the United States' 233 early-stage investments in the same period. Most telling is that Israel – a country with less than 2% of Europe's population – generated 38 early-stage cyber security investments, demonstrating a per-capita investment rate far exceeding that of Europe.

## 4.3 Accelerator Programmes

There are several accelerator programmes in the UK that have a specific focus on cyber security startups. With data sourced from the organisations running the programmes, the table below summarises the investment raised by companies that have been supported by these programmes. It should be noted that a number of startups have been through multiple programmes and so the total investment raised may include some double counting.

| Programme | Dates | Funded By | Run by | Number of companies supported | Total investment raised |
|---|---|---|---|---|---|
| Cyber Runway | 2021-present | DSIT | Plexal | 200+ | Not Available |
| Cylon | 2015-2020 | Self-funded | Cylon / Winton Capital | 102 | Total investment raised not available but collectively the companies supported are valued at over £1Bn |
| Lorca | 2018-2022 | DCMS (now DSIT) | Plexal | 80 | £200M + |
| NCSC for Startups | 2017-2024 | NCSC | Plexal | 75 | £526M |
| Cyber ASAP | 2017-present | DSIT | Innovate UK | 170 Academic teams leading to 32 companies being created | £40M |
| Tech Nation Cyber | 2019-2020 | DCMS (now DSIT) | Tech Nation | 40 | £54M |

# What is Q-day?

**The hypothetical future date when quantum computers become powerful enough to break widely used public-key cryptographic system**

## 4.4 Areas attracting investor interest

The cyber security sector is broad with a vast array of products and services in the market covering specific areas in a complex array of capabilities that organisations need to have in place to protect their networks. Areas that have been attracting particular attention in recent and indicating potential future areas of high growth include:

- Cyber Security for AI
- Post Quantum Computing (PQC)
- Zero Trust
- Continuous Threat Exposure Management
- 3rd Party Risk Management
- Online Safety.

### Cyber security for AI

Anything related to AI is clearly a hot topic now and the use of AI in cyber security (for example to assist analysts in detecting and responding to threats) is commonplace. Not to be confused with this, a more recent development are products and services focused on cyber security for AI.

Driven by the huge rise in AI adoption across all sectors, the cyber industry has seen an increase in the demand for products and services that enable organisations to adopt AI securely.  A DIST report published on 10th March 2025 (AI and software cyber security market analysis) estimates there are 66 firms in the UK providing cyber security for AI systems and highlights the majority of specialist providers in this space are small or micro in size, indicating that they are relatively new entries to the market that are likely to be taking on investment in the near term. Since 2022, UK based specialist companies providing cyber security for AI solutions have raised £68M in external investment, with notable deals including Mindgard (raising over £9m), and Harmonic Security (£20m).

### Post Quantum Cryptography

Although we are still some way from consensus around exactly when "Q-day" will happen, there is broad acknowledgement that this day will come and that organisations should start to prepare to migrate to quantum resistant cryptography aka PQC.

The threat of Quantum Computing is of particular significance to government, defence, and critical national infrastructure organisations. Ollie Whitehouse, NCSC CTO stated recently "As quantum technology advances, upgrading our collective security is not just important – it's essential."

The PQC market is projected to undergo rapid expansion in the coming years growing from approximately $356.4 million in 2023 to $17.69 billion by 2034, with a CAGR of 41.47%, according to MarketsandMarkets. A number of UK based companies are developing solutions to the PQC problem including KETS Quantum, Sitehop and Arqit, all of which have raised investment from VCs.

### Zero Trust

Zero Trust is a cyber security model that, as its name suggests, assumes no user or entity is trusted by default. It has been around since 2010, but adoption of this model has grown significantly in the past few years leading to a number of UK based startups developing offerings in this space including NCSC for Startups alumni, Enclave. Zero Trust solutions are often provided as part of a wider set of offerings, particularly by big players such as Palo Alto, Cloudflare and Yubio. Investment activity in companies specialising in Zero Trust has been happening in the US with Teleport raising a significant Series C round in 2023 and 12Port recently launching their zero trust solution into the market.

### Continuous Threat Exposure Management (CTEM)

CTEM is a cyber security approach that enables organisations to identify, assess, and mitigate cyber security risks in real-time, instead of the traditional approach of periodic, point-in-time security assessments. The rise of AI and machine learning has enabled and enhanced key aspects of CTEM such as threat detection, asset discovery, automated remediation, and attack simulation.

As with Zero Trust, CTEM is often provided as part of a wider suite of services by MSSPs. Bluefort and Quorum Cyber are two examples of UK based companies specialising in CTEM services with the latter raising via Maven CP in 2020 and more recently, Livingbridge (2022) and Charlesbank Capital Partners (June 2024). In the US, AttackIQ developed a CTEM offering off the back of their $44M Series C raise in 2021.

**Third Party Risk Management (TPRM)**

With global supply chains becoming increasingly complex and the use of Cloud SaaS platforms being very much the norm, the ability to monitor and assess the cyber security risks associated with third party vendors and services providers is vitally important. TPRM technology helps organizations identify, assess, monitor, and mitigate these risks with AI driven automation increasingly playing a key role.

According to a 2024 report by Liminal, global spending on TPRM solutions is projected to more than double, growing from $9.0 billion in 2025 to $19.9 billion by 2030.

Investment in TPRM startups has increased in recent years with notable examples in US, Israel and the EU:

- **3rdRisk:** An Amsterdam-based collaborative platform for TPRM, raised €500,000 in a Seed funding round led by Mamadoo Ventures in February 2023
- **Mirato:** An Israeli firm offering an AI-driven TPRM platform for financial institutions secured $9 million in funding in February 2021. The round was led by Grove Ventures and Janvest Capital Partners, with participation from American Express Ventures and others
- **Riskrecon:** One of the earliest TPRM solution providers, they were acquired by Mastercard in 2019 after raising c. $40 million in investment.
- **VISO TRUST:** Secured $24M in November 2024 to accelerate innovation in AI-Powered Third-Party Risk Management.

There is limited information available about UK startups in this space however, NCSC for Startups Alumni, CyberTzar are currently looking for early-stage funding to accelerate the development of their enterprise supply chain risk management platform.

**Online Safety**

Adjacent to the cyber security sector, the UK online safety market is rapidly growing, driven by increasing concerns over harmful content, data privacy, and compliance with the UK's Online Safety legislation. According to a UK Government Report "The UK Safety Tech Sector: 2024 Analysis" published by DSIT, investment in the UK Safety Tech sector remains strong with £42m raised across 18 deals in 2023 showing significant growth from the £6M raised in 2015.

Key UK players in the online safety industry include:

- **Crisp:** AI-powered content moderation for social media and gaming. In 2018 they secured $25 million Series A investment from Baird Capital and in 2022: Crisp was acquired by Kroll, a New York-based provider of data, technology, and insights related to risk, governance, and growth
- **SuperAwesome:** Ensures child-safe digital engagement for global brands, acquired by Epic Games in 2020
- **SafeToNet:** Focused on safeguarding children from online risks through AI-driven solutions, secured $13 million in a Series A funding round in May 2018, led by West Hill Capital.

## 4.5 Summary

In summary, the analysis strongly indicates a challenge in securing early-stage investment into cyber security startups. This is despite global demand for cyber security solutions increasing and new market opportunities developing in line with the rise in emerging technologies such as AI and Quantum as well as other drivers of demand such as changes in the geopolitical landscape and a growing number of startups looking for investment.

**According to a 2024 report by Liminal, global spending on TPRM solutions is projected to more than double, growing from $9.0 billion in 2025 to $19.9 billion by 2030.**

# 5. The Investment Gap

## 5.1 A Regional Challenge

Despite its strategic advantages within cyber security, Cheltenham remains an underserved market for early-stage cyber investment. It should be noted that UK cyber startups typically receive less funding than their US and Israeli counterparts, with pre-seed valuations often significantly lower but levelling out by series A. This creates an arbitrage opportunity for investors willing to engage early in the growth cycle.

Within the UK, as previously noted within this report, investment is not distributed equally within the UK market with most of the funding going to London HQ'd startups.

Additionally, a lack of local coordination further exacerbates the challenge for startups seeking investment. Investors in Cheltenham tend to operate independently, with limited opportunities to syndicate deals or collaborate on funding opportunities. Additionally, there is a lack of an investment network that can help source and filter deals, as well as provide high rigour in due diligence and analysis. The lack of coordination and startup ecosystem locally acts as a barrier for local HNWIs who could be a valuable source of new angel investors for this sector.

Overall, a fragmented approach leads to missed opportunities and restricts the flow of capital to high-potential startups.

## 5.2 Founders Perspective

We have engaged with a number of founders of cyber security companies over the course of the project to gain their perspectives on the early-stage investment landscape. Of the 46 founders we spoke to 30 had engaged with investors in some way but only 12 had gone on to complete a raise. Common issues raised included:

- Extensive effort and time required to engage with many early-stage investors was taking away focus from securing customers and developing the product
- Angels with sector knowledge were hard to find and often the founder would have to coordinate / syndicate rounds
- Angels without sector expertise often didn't understand the opportunity or the technology being developed and so couldn't get comfortable enough to invest
- Early-stage generalist funds were looking for Angels with sector knowledge/expertise to lead rounds and give them the confidence to invest
- In some cases, companies were inadequately funded at pre seed stage and didn't make it to the next stage of funding.

All of the founders that had engaged with investors agreed that it would have been helpful if there had been an Angel Network with a focus on Cyber. It was also noted that angels bring not only financial capital, but also strategic capital and operational support (in certain cases).

It was noted that a number of the startups we engaged with did not consider themselves to be cyber security companies and were developing technology for the wider national security and defence markets.

Considering startups based in the local region, it was hard to identify founders of cyber startups based in Cheltenham/ Gloucestershire that were currently looking to raise pre seed/early-stage investment. Out of c. 20 product based cyber security startups identified in the CyNam CRM as being based in the region only 1 is actively raising with 2 others considering a raise in the medium term.

## 5.3 Investors Perspective

**Angels**

We have engaged with a number of active Angel investors from across the UK with a view to understanding their take on the early-stage funding gap and their views on whether a cyber focused angel network would be valuable to them.

We also sought to identify new / prospective Angel investors with a focus on exited founders/entrepreneurs from the cyber and national security ecosystem.

From these conversations we established that there was a common driver behind why these Angels invest. The potential for outsized financial returns was clearly a factor, but equally important was supporting the wider mission of security and helping to create a more resilient and safer world. Related to this, all of the Angels we spoke with were interested in investment opportunities more widely than just the cyber security sector, including national security, defence and the protection of critical national infrastructure (CNI).

We also found that the majority of Angels enjoy working with and supporting highly motivated, intelligent founders with a passion for making a difference.

There was a strong appetite for the formation of an angel network where likeminded investors could share deals and syndicate investment rounds. They recognised the benefits of being part of a wider network of experts both in terms of the quality of the deal flow it would create and the support that could be provided to the startups they invested in which would increase the chances of success.

The prospective Angels we spoke with were particularly interested in a network being established as it would give them confidence and comfort to invest alongside more experienced Angels. They would also like to see support and education provided for them to understand the fundamentals of Angel investing.

We have also looked to engage with Angels that invest in other tech sectors. The feedback was that whilst cyber and the wider national security and defence sectors could be a hot sector for investing, it can be rather opaque and challenging to navigate and assess the quality of deals. With this in mind, they emphasised the importance of investing alongside trusted Angels that understand the sector.

**VCs**

There are a limited number of sector focused VCs in the UK that are exclusively focused on cyber security; however, those that do exist have a wealth of expertise and are supportive of a sector focused angel group. Those we spoke to included Osney Capital and 10/11 Ventures who specialise in Cyber.

It was clear from discussions with Osney that the early-stage investment gap in cyber security is becoming widely acknowledged and policy decisions within government have been taken to help address this challenge. For example, the British Business Bank has agreed to be a cornerstone investor in their fund. We also learned that UK cyber startups typically receive less funding than their US and Israeli counterparts, with pre-seed valuations often significantly lower but levelling out by Series A. Osney's research over the last 3 years into the UK's cyber security research and startup landscape showed that research and development, innovation and spin-out activity is happening across a national ecosystem with many areas of specialisation distributed across the UK. The conclusion we drew from this is that an Angel Network that aims to maximise the opportunities in Cyber must take a national view to sourcing deal flow.

Similar views were shared by other VCs, particularly those based in the US. With most successful startups eventually taking some, if not the majority, of their Series A+ investment from the US, a successful angel group will need to form relationships with VCs across the pond. A specialist network with a national reach would have greater influence.

We also spoke to VCs who have made a cyber security, or adjacent technology, investment, in the past year, who also expressed support of a sector focused angel group. They see the sector as a strategic growth area and are therefore looking to bring more cyber startups into their portfolios. As more generalist funds they lack the specialist knowledge and connections needed to source good deal flow and assess deals in what is a complex sector. As such, having access to deal flow from a group of angel investors with specialising knowledge and proven track record in the industry would have great appeal.

## 5.4 Government Policy

Government policy has been supportive of increased investment in emerging technologies. The Enterprise Investment Scheme (EIS) provides tax relief to investors in early-stage companies, while the creation of the Investment Minister role reflects the government's commitment to driving capital into regional tech hubs. The £1 billion Golden Valley Development in Cheltenham further underscores this commitment, aiming to create a global centre for cyber innovation. It is also notable that DSIT, via their "Cyber Local" funding, are focusing more on innovation and investment initiatives.

**An Angel Network that aims to maximise the opportunities in Cyber must take a national view to sourcing deal flow**

## 6. Angel Networks

Existing angel networks in the UK provide valuable insights into the key components of a successful network and provide us with an opportunity to learn from experience and good practice developed over years of running. We met with leaders from the following Angel Networks:

- Manchester Angels
- Cambridge Capital Group
- Oxford Investment Opportunity Network (OION) - Operating as Oxford Innovation Finance
- Angel Investors Bristol
- MAINStream.

We also researched Cambridge Angels, Minerva and we are looking to engage with Cyber Club London as well as a newly formed Angel group focused on Defence innovation called Ante Bellum.

| Angel Network | Scope | Funding core activity | Model | Activity |
|---|---|---|---|---|
| **Angel Investors Bristol** | Supports and invests in founders across Bristol, the South West, and Wales. | Operational costs are covered by introducer fees charged to founders upon the successful completion of funding rounds. | Operates as a network of angel investors seeking opportunities to invest in innovative startups and growth-stage businesses within the specified regions. | **Investment Range:** Typically invests between £150k – £500k, utilizing SEIS and EIS venture capital schemes.<br>**Activity:** As of August 2019, invested over £4.5 million into 14 Bristol startups.<br>**Mission:** Aims to empower innovative startups and growth-stage businesses in the region by providing financial support and expertise. |
| **Manchester Angels** | Focuses on investing in startups and early-stage companies in the Greater Manchester area and the North West of England. | Sponsorship/Funding sourced from GP Bullhound and Bruntwood who are founding partners of the group | Investors typically invest directly into the startups. | **Mission:** Aims to stimulate economic growth in the Greater Manchester area by supporting innovative startups and early-stage companies. |

| Angel Network | Scope | Funding core activity | Model | Activity |
|---|---|---|---|---|
| **Cambridge Angels** | Primarily invests in UK-registered and operated businesses, focusing on science and engineering-based companies, as well as tools and technologies supporting healthcare. | They have a carried interest structure (5-10% on each deal). Although this is yet to yield anything as it is reliant on exits.<br>Operational costs are covered by introducer fees charged to founders upon the successful completion of funding rounds. | They do not charge founders to pitch to its membership, nor do they take success fees. | Since its inception in 2001, Cambridge Angels has invested over £150 million in more than 120 portfolio companies.<br>**Investment Focus:** The group typically invests in funding rounds ranging from £50,000 to £500,000. |
| **Oxford OION** | One of the UK's most well-established angel networks, focusing on investing in early-stage companies across various sectors, including science and technology.<br>Based in Oxford but consider opportunities from across the UK | Combination of sponsorship and pitch fees. Sponsors include an accountancy firm, law firm, big 4 consultancy and an investment house | OION do not charge for membership, members must apply and are vetted before having access to deals.<br>They hold 7 showcase events a year with up to 10 businesses pitching at each.<br>They also run an EIS fund alongside the network. | Has been running for over 30 years. Recognised as the most active network in the UK in 2023.<br>Since January 2021, the network has completed 102 investments into 86 companies from across the UK.<br>**Activity:** As of April 2023, OION's EIS Growth Fund and angel network invested over £315,000 in Peacock Technology, a specialist in engineering and robotic automation. They also recently invested into cyber security startup CybaVerse.<br>**Mission:** Aims to provide companies and investors with access to professional advice geared towards meeting the growth needs of innovative businesses. |

| Angel Network | Scope | Funding core activity | Model | Activity |
|---|---|---|---|---|
| **Minerva** | Running since 1994 (30+ years)<br>**Sector Focus:** Minerva primarily invests in high-growth technology companies, supporting a diverse range of innovative ventures. | Minerva Business Angel Network operates as a not-for-profit organization under the umbrella of the University of Warwick Science Park.<br>Funding through annual membership subscriptions paid by its angel investors.<br>Minerva's collaborations with various universities and institutions, may lead to in-kind support and potentially financial contributions - TBC | Prospective investors are invited to observe meetings to assess fit before joining.<br>Members are expected to invest regularly and bring valuable expertise to the network.<br>Members are charged an annual fee. | Minerva collaborates with several universities, as well as Warwick Business School in London, Sci-Tech Daresbury and the Black Country Growth Hub to extend its reach and local support.<br>**Investment Impact:** Since its inception, Minerva has facilitated over £63 million in investments, supporting more than 90 companies.<br>**Recent Performance:** Between 2011 and 2021, Minerva completed 162 investment rounds in 91 different companies, making it the most active angel investor in the Midlands and the second most active in the UK during that period. |
| **Ante Bellum** | Recently launched network focus on defence and dual use tech. | Yet to engage | | Have made one investment into Zone Aware (Counter Drone) |

| Angel Network | Scope | Funding core activity | Model | Activity |
|---|---|---|---|---|
| **Cambridge Capital Group** | Focused on early-stage technology startups within the Cambs, London, Oxford "Golden Triangle" but will evaluate opportunities from wide afield.<br>Actively considers a broad spectrum of high-tech opportunities, including Medtech, Biotech, Agritech, Software, Artificial Intelligence, and Life Sciences. | Funded by membership fees from angels and corporate members | Approximately 50 members.<br>Members include Angels, Family Offices and some venture capital companies. | Have been running for over 25 years, investing c. £50million into 100+ startups.<br>History of successful exits, for instance, in 2016, the AI company TouchType Limited, known for developing the SwiftKey keyboard app, was acquired by Microsoft for $250 million, yielding nearly tenfold returns for early investors. More recently, in 2024, portfolio company Featurespace announced its acquisition by Visa |
| **MAINStream** | Run by Law Firm Michelmores, MAINstream Angel Investor Network was established in 2019 to help accelerate the growth and diversity of angel investing. It is a UKBAA (UK Business Angels Association) registered network | The network is run by employees of Michelmores, and, in Cheltenham, they are supported by Hazelwoods (accountancy firm) | There is no charge for membership and no obligation to invest. Michelmores consider the network and connectivity that they offer is as important as the capital deployed.<br>They have approximately 90 members | They hold quarterly pitch events in Cheltenham and across the South West. |

**A successful angel network should have a core membership of experienced angels and HNWIs, supported by strong governance and a clear funding model**

## 6.1 Insights

Best practices from these networks highlight the importance of structure, funding, and active ongoing engagement. A successful angel network should have a core membership of experienced angels and HNWIs, supported by strong governance and a clear funding model. Developing relationships with VCs and corporate partners enhances deal flow, while regular investor forums and pitch events encourage active participation.

Common themes that emerged from the Angel group leaders we spoke with included:

- Whilst the aim of any angel group is to source deals with the potential to deliver outsized returns to its members, running the group itself is not a lucrative business. Often described as a labour of love, leaders stressed that fund raising to cover running costs is an ongoing and significant effort and can deter new angel groups from forming if they do not have a clear path to covering basic costs
- Focusing on high quality deal flow is vital to ensure members remain interested
- Attracting and retaining new investors in the group is vital to ensuring there is sufficient capital available within the group and to make it worthwhile for startups to engage
- Other Angel groups recognised that cyber and adjacent sectors have the potential for high growth and in a number of cases they lamented the fact that they didn't do more in that space, citing that the opportunities they do see can be opaque and hard to assess
- Related to the above, they liked the idea of an Angel group with a specific thematic focus, particularly in cyber where knowledge, expertise and connections are vital to assessing good deals and supporting the founders once they have been backed
- In principle, they would be interested in partnering with such a group, including sharing relevant deal flow and syndicating rounds.

Based on our findings, a successful angel network would target investors with expertise in cyber security and emerging technology. Leveraging existing assets and regional strengths, such as GCHQ, the CyNam Ecosystem and the Golden Valley development, will be key to building credibility and attracting high-quality startups. Facilitating deal syndication with other networks and positioning the network as a trusted source for early-stage investments will further enhance its impact.

Our research has shown that for an angel network to be successful, there needs to be:

- Adequate investable capital, with network members ready and willing to deploy capital into early-stage deals
- Strong funnels and strategies for new member acquisition, with awareness that dry powder from individual angels is not unlimited during the venture lifecycle, therefore a steady flow of new members will be required to ensure a new flow of capital ready to be deployed into early-stage deals
- A clear value proposition for the network members, to ensure that they are confident that they are receiving high-quality and vetted deals, as well as robust management of the angel network with an emphasis on fiduciary responsibility. A high level of trust within the members of the angel network has also been cited as a key component of the value proposition of an angel group
- A strong Management Team, which includes but is not limited to:
    - Angel/venture investing expertise
    - Operational expertise (investor relations, structuring, and community management)
    - Sector expertise
- Robust deal processes for sourcing, analysis, and due diligence on deal flow, to ensure the highest quality of startups are invested into by the network
- Robust operational processes for syndication and investment processes, to ensure regulatory and fiduciary compliance with UK and international regulations on angel investing.

# 7. Recommendations

## 7.1 A Strategic Opportunity

Establishing a structured angel network would address the gaps noted in this report by increasing early-stage funding, attracting national and international capital, and leveraging Cheltenham’s strategic strengths in security and technology. Key to Cheltenham’s strength is its well established cyber and national security ecosystem that has been established by CyNam over the last 10 years. With over 1000 tech companies in the CyNam ecosystem their convening platform is nationally recognised as the largest and most active cyber cluster in the UK.  They also provide links to other clusters both in cyber security and wider emerging technologies for example Space West and the National Composite Centre.  This, coupled with the investment in the Golden Valley development strengthens the case for why an angel network would be based here.

We believe a coordinated network would create a more efficient investment ecosystem, supporting the growth of high-quality startups and enhancing the region’s global reputation.

## 7.2 Structure and Engagement

A successful angel investment network in cyber security should be built around a clear and structured membership model. The core membership would consist of founding members, members (certified high-net-worth individuals (HNWIs)), corporate members, and ecosystem partners. Founding members would play a central role, committing to a minimum annual investment and participating in key decision-making on angel investment deals. Regular engagement through quarterly investor forums and deal showcases will be essential to maintain momentum and build trust within the network.

Governance will be critical to ensure the network operates efficiently and maintains a high standard of professionalism. A dedicated leadership team should oversee decision-making, manage deal flow, and coordinate communication with members. Regular engagement will help foster a strong sense of community and encourage active participation.

We have found that to maximise the impact, such a network should be based in Cheltenham but ensure that it is open to investors and startups across the UK.

## 7.3 Funding Models

From conversations with several angel networks in the UK, and with experience of angel networks across the world, it should first be stated that angel networks are not necessarily profit-making engines. Rather, they are united by a mission to help drive capital towards strong early-stage startups - whether driving said capital to a particular geography (as we have found to be a common model in the UK angel ecosystem) or a sector (such a climate-focused angel groups).

Angel networks predominantly run at very low margins, with the main costs being:

- Tech Stack
- Membership Acquisition and Retention activities
- Resource to scout and manage deal flow, engagement with other networks, coordinate deal review, commitments and due diligence activities
- Running fora to bringing the group together in person
- Presence at conferences and events
- Location/Desk space
- Occasional fees to cover experts to vet deals / support DD
- Membership of UK Business Angels Association.

Typically, angel networks cover their costs through:

- Membership fees
- Sponsorship
- In some cases
    - A proportion of carried interest (between 5-10% is typical in the UK, up to 20% in standard in the US)
    - Fees associated with the legals around the investment e.g. an SPV legal and structuring costs are typically shared between the members of a syndicate or passed on to the investee company.

The funding model should balance financial sustainability with incentives to attract high-quality members and deals.

The funding model should be structured around a tiered membership approach with individual members and corporate members paying a membership fee. The fee should be at a sufficient level to ensure only serious investors with capital to deploy are part of the group. In addition to the fee members should evidence their intention to make a minimum annual investment, with a minimum ticket size per deal.

It is important to have a core group of investors in the network with sector expertise and to incentivise this we recommend implementing the concept of founding members for whom the membership fee is waived.

Membership fees will not provide sufficient funding to cover the costs of running the group and so other funding should be secured through a combination of sponsorship and government grants.

A SPV (Special Purpose Vehicle) model may be used to enable pooled, syndicated investments. This would create greater flexibility for members and increase the network's overall investment capacity. It also enables the option of having a carry structure from which the group could receive a share of the returns upon exit.

## 7.4 Brand and Positioning

The new angel network should position itself as a trusted and expert-led community focused on cyber security and emerging technologies.

Strong ties with GCHQ, CyNam, the Golden Valley development, and leading universities will enhance credibility and deal flow. Differentiation should come from the network's deep expertise in security and technology, as well as its access to high-quality early-stage startups.

Building partnerships with universities, government bodies, and other investor networks will strengthen the network's strategic position. A clear value proposition—focused on providing unique access to high-potential deals and strategic insights—will be key to attracting and retaining members.

## 7.5 Regulatory and Compliance

Ensuring regulatory compliance will be essential to building trust and maintaining operational integrity. The network should align with Financial Conduct Authority (FCA) guidelines and follow best practices outlined by the UK Business Angels Association (UKBAA). A streamlined onboarding process and clear due diligence framework will help maintain consistency and reduce friction for new members.

Compliance processes should be efficient but thorough, ensuring that investments meet high standards while minimising administrative burdens on members.

**Building partnerships with universities, government bodies, and other investor networks will strengthen the network's strategic position**

## 7.6 Deal Flow

Sourcing excellent, high-quality deals is the lifeblood of any Angel Network. For the Cyber sector there are a wide range of sources where early-stage startups can be found, including:

| Source | Summary |
|---|---|
| **Members / Existing Angels** | Often a great way to get deals into the group as they come from a trusted source with expert knowledge who is likely to have done a degree of due diligence |
| **Networks, Clusters and Tech Communities** | Tapping into the ecosystems established through organisations such as:<br>• CyNam & other UKC3 Cyber Clusters<br>• Pivot Labs<br>• NCSC for Startups Alumni<br>• Defence Investor Network (DIN) |
| **Accelerator and incubator programmes** | For example:<br>• Cyber Runway<br>• HMGCC's Co Creation Security Challenges<br>• Cyber ASAP<br>• BETADen |
| **Innovation Grants / R&D contracts** | UKRI / Innovate UK, Catapult Network<br>Defence and Security Accelerator (DASA)<br>Nato's DIANA programme |
| **VCs** | VCs often see deals that they like but are too early for them to invest in. By building links with VCs, we can obtain deal flow particularly from those with a specialism in cyber such as Osney, MDOne and 10/11 Ventures |
| **Academia** | Universities in the UK have a rich heritage of research including in Cyber and adjacent areas of emerging technology. The EPSRC Virtual Research Institutes and the NCSC's Academic Centres of Excellence for cyber security Research as well as the projects supported by the Cyber ASAP programme will be a source of potential deals |
| **Other Angel Networks** | As outlined in detail above. The Angel Network we engaged with are happy to explore sharing deal flow and potential for syndicating on deals |

**Filtering deals**

In addition to sourcing deals, it is important that there is a fair and rigorous approach to filtering deals that are presented to the group for consideration. This can be hard to judge from just a pitch deck review and a 30-minute call, leading to good opportunities slipping through the net and average deals with glossy pitches getting more airtime than might otherwise be warranted. For early-stage deals with inexperienced founders we recommend implementing a structured process to ensure that they are investment ready and will be committed to building their companies in line with the expectations of their angel investors.

## 7.7 Supporting founders

The most successful Angel investors don't just deploy capital into startups; they provide support to the founders they back. This can take many forms including mentoring, connection making, as well as more specific involvement in areas such as Go To Market, Sales, Raising investment with VCs etc.

The Angels we spoke with like to be actively involved in supporting founders and we believe strongly that having a thematic Angel group with a core of investors that have deep sector expertise will enable a more meaningful and impactful level of support. However, with Angels either having or building towards a portfolio of 10+ companies, they do not have the capacity to support every startup they invest in. Building on the broad ecosystem that CyNam has developed, we believe there's an opportunity to work with ecosystem partners to provide aspects of support to founders.

There are numerous examples of companies and individuals based within the local ecosystem who can offer support in these areas including (but not limited to):

- Vencha - Exited founders from Message Labs specialising in B2B SaaS sales
- Infinite CFO - fractional CFO services and financial modelling investor readiness
- Mighty - Brand & Positioning
- HCR Law - Legal advice on everything from employment to investment
- Wynne Jones - IP specialists
- Randall and Payne - accountants with a particular strength in R&D tax credits.

This provides an opportunity to work with regionally based experts from across the CyNam ecosystem to support the founders that raise investment with tailored ongoing support in areas of specific needs.

## 7.8 Impact on the region

As highlighted above, the feedback we received regarding the viability of a new, cyber focused angel network from stakeholders across the ecosystem, strongly emphasised the need for it to have a national focus both in terms of sourcing startups and investors. It has also been stressed that there is an opportunity to benefit from Cheltenham being at the centre of the UK's cyber and national security ecosystem by basing the network in the area and drawing on the strengths of CyNam's ecosystem here. With this in mind we have considered the impact this could have on the region.

By having an active, founder-friendly Angel network in the region with deep sector expertise and an emphasis on supporting the startups beyond deploying capital, we believe this will encourage more prospective founders from the locality to create startups. For the same reason, we believe the presence of the network will attract companies into the region. Well-funded startups with support from experienced investors are more likely to succeed and grow their teams in the area and with this growth we could expect to see an increase in demand for the local service providers supporting these startups with Marketing, brand & positioning, Finance, Legal Services, IP Protection and Advice.

## 8. Roadmap and Next Steps

The network should be launched in three phases. In the first three months, the focus should be on securing a core of circa 10 founding members with deep sector knowledge and experience of angel investing. A legal entity would need to be formed along with establishing communication channels. A website and outreach strategy should also be developed.

Over the next 12 months, the network should formalise its membership model, establish regular investor forums, and develop a structured deal sourcing process.

Beyond the first year, the focus should be on scaling the network by expanding the membership base, syndicating deals with other UK and international networks, and positioning Cheltenham as a leading hub for cyber investment.

**Pre-Launch (First 3 months)**

- Founding members x10
  - Sector experts
  - Certified HNWs
- Informal network
  - Sharing deals
  - Signal Group for comms
- Website
- Deal tracking
- Define Front door and filtering process for startups/founders
- Form Legal Entity
- Start to establish funding
  - Sponsors
  - Govt Grants
- Promotion/Comms to identify and attract new angels
- Define support model for invested companies
- Target - 1 deal.

**Launch and Develop (next 9 months)**

- Launch Event
- Formalise Membership
- Fees
- Process for onboarding new members
- SPV model and platform for syndicating rounds
- Attend conferences
- Grow membership
- Targets: 1-3 deals, 10-20 new members.

**Scale**

## 9. Conclusion

Establishing a structured angel investment network has the potential to address existing funding gaps and position the region as a global leader in cyber security and emerging technology investment.

By fostering collaboration and leveraging strategic advantages, this initiative will drive sustained economic growth and strengthen the UK's technological resilience.

Key Recommendations:

1 **Structure and Governance:** There is an opportunity to form an angel network with tiered membership including founding members, regular members, corporate members, and ecosystem partners.

2 **Funding Model:** To ensure success, there should be a sustainable funding approach combining membership fees, sponsorships, and potential carried interest. Founding members should commit to a minimum annual investment of £50k with minimum ticket sizes of £20k per deal.

3 **Cheltenham (Gloucestershire) as a Local Base:** There is a strong opportunity to maintain headquarters of any potential network in Cheltenham (Gloucestershire) to leverage the regional cyber and national security ecosystem while ensuring that the network operates nationally to maximize quality deal flow and investor participation.

4 **Broader Sector Focus:** There is an option to expand the remit of such an angel network beyond cyber security, to also include adjacent industries such as national security and defence.

5 **Deal Flow Strategy:** Develop structured processes for sourcing high-quality deals through multiple channels including member referrals, accelerator programs, academic institutions, government R&D initiatives, and partnerships with other angel networks and VCs.

6 **Brand and Positioning:** There is an opportunity to position the network as a trusted, expert-led community with strong ties to GCHQ, CyNam, the Golden Valley development, and leading universities, emphasizing deep expertise in cyber security and emerging technologies.

7 **Founder Support Framework:** There is an opportunity to create comprehensive support mechanisms for portfolio companies, leveraging local expertise in sales, finance, legal, branding, and other critical business functions to maximize startup success rates.

8 **Strategic Partnerships:** There is an opportunity to cultivate relationships with other UK angel networks, international investors, and upstream VCs to facilitate deal syndication and create pathways to follow-on funding.

9 **Regulatory Compliance:** Any potential network activities must align with FCA guidelines and UKBAA best practices, implementing efficient but thorough compliance processes.

10 **Regional Economic Impact:** There is an opportunity to develop specific initiatives to catalyse startup creation in the region, attract inward investment, and increase demand for local service providers supporting the cyber security ecosystem.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**This initiative will drive sustained economic growth and strengthen the UK's technological resilience**

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