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Annex: Glossary of Scaling Stages and Investment Rounds

This annex clarifies the relationship between the five scaling stages used throughout the accompanying paper and traditional venture capital (VC) funding rounds. Readers often encounter both frameworks when studying company growth, but they describe different aspects of development.

Scaling stages focus on operational milestones: what companies are actually building and achieving as they grow. Funding rounds describe financial events: how much capital companies raise and when. While these frameworks often align, they are not identical. The explainer below shows typical similarities, but these should be understood as patterns rather than fixed rules.

Founding Stage: Pre-Seed

This is the point of formation. Companies emerge either as **startups**, launched by independent founders, or as **spinouts**: commercial ventures based on university or corporate research.

- **Pre-seed round:** £50,000 to £250,000
- **Investors:** Founders, friends and family, angel investors, accelerators, family offices

- **Key goals:** Incorporation, IP protection, early product or prototype development, initial team formation

Early Growth: Seed to Series A

This stage is focused on achieving product-market fit and building foundational operations. The company proves its technology works, starts to acquire early customers and prepares for more ambitious growth.

- **Seed round:** Typically raises £1 million to £4 million
- **Series A round:** Typically raises £4 million to £15 million
- **Investors:** Specialist seed funds, early-stage VC, investors backed by the Enterprise Investment Scheme or the Seed Enterprise Investment Scheme
- **Key goals:** Validate the market, build a core team, secure early revenue or user traction

Scaleup Stage: Series B and C

The company has proven market fit and is now focused on aggressive expansion. Scaling involves hiring, entering new markets, increasing sales velocity and investing heavily in operations and leadership.

- **Series B round:** Typically raises £15 million to £40 million
- **Series C round:** Typically raises £40 million to £100 million
- **Investors:** Growth-stage VC funds, strategic investors, some institutional co-investment (such as British Business Bank)
- **Key goals:** Rapid growth, professionalisation, internationalisation, development of full executive and operations teams

Late-Stage Scaling: Series D and Beyond

Companies at this stage aim for global dominance and/or prepare for exit. These rounds support very large customer bases, expansion into multiple geographies and strategic positioning.

- **Series D+ rounds:** Typically involve megarounds raising £100 million to £250 million or more
- **Investors:** Sovereign wealth funds, institutional investors, late-stage VCs, National Wealth Fund
- **Key goals:** Market consolidation, strategic acquisitions, final push before IPO or major trade sale

Exit and Reinvestment

This is the stage at which capital is realised, either through a public listing, acquisition or secondary share sale. It is also the moment when talent and capital can be recycled into the next generation of companies.

- **Common mechanisms:** IPO (especially on the London Stock Exchange or NASDAQ), trade sales, mergers and acquisitions, private equity acquisitions
- **Key effects:** Liquidity for founders and investors, potential for reinvestment, creation of "alumni" networks that fuel new ventures

These stages are not rigid but provide a useful model for policymakers and investors. The aim of the accompanying report is to ensure that UK companies can traverse each stage more rapidly and with greater support, building firms that scale globally while retaining value at home.

Alignment Between Stages and Rounds

The correspondence between scaling stages and funding rounds is indicative rather than prescriptive. Companies develop at different speeds depending on sector, geography and business model.

Sectoral variation creates natural differences in funding patterns. Capital-intensive sectors such as biotechnology or hardware often require larger early rounds – a biotech company might raise £20 million at Series A due to lengthy development cycles and regulatory requirements. Asset-light sectors such as software or services typically have smaller funding requirements; a software-as-a-service company might reach profitability with modest Series B funding.

Geographic differences also matter significantly. Companies in the United States typically raise larger, more concentrated rounds at each stage compared to their UK counterparts; what constitutes a large Series A in London might be considered modest in Silicon Valley. The round sizes shown in this table reflect UK market conditions, though many UK companies increasingly tap into US capital markets for growth funding.

Market conditions affect round sizes and timing. During high-growth periods, companies may skip traditional stages or raise larger rounds earlier than historical patterns would suggest.

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