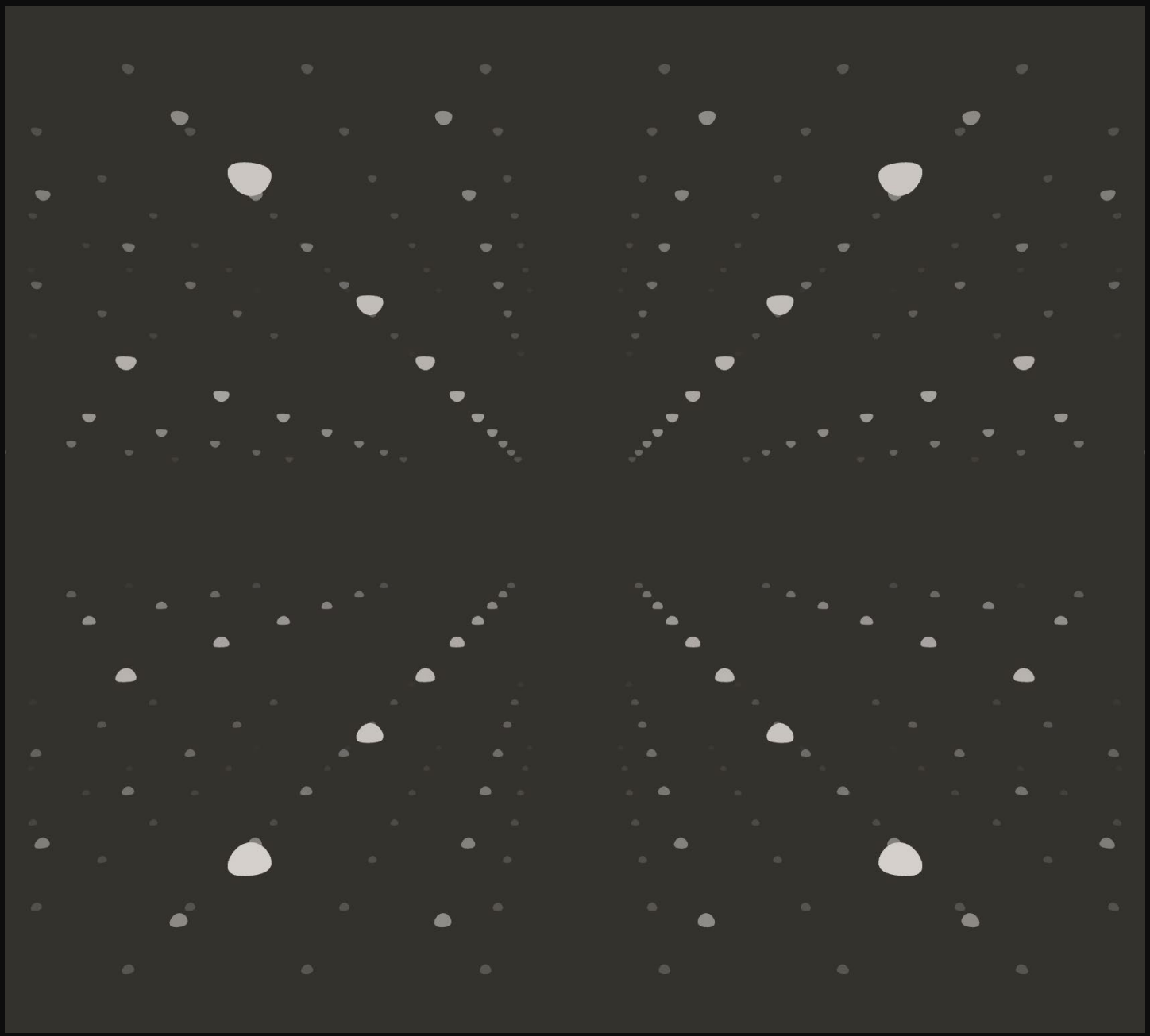
GILION

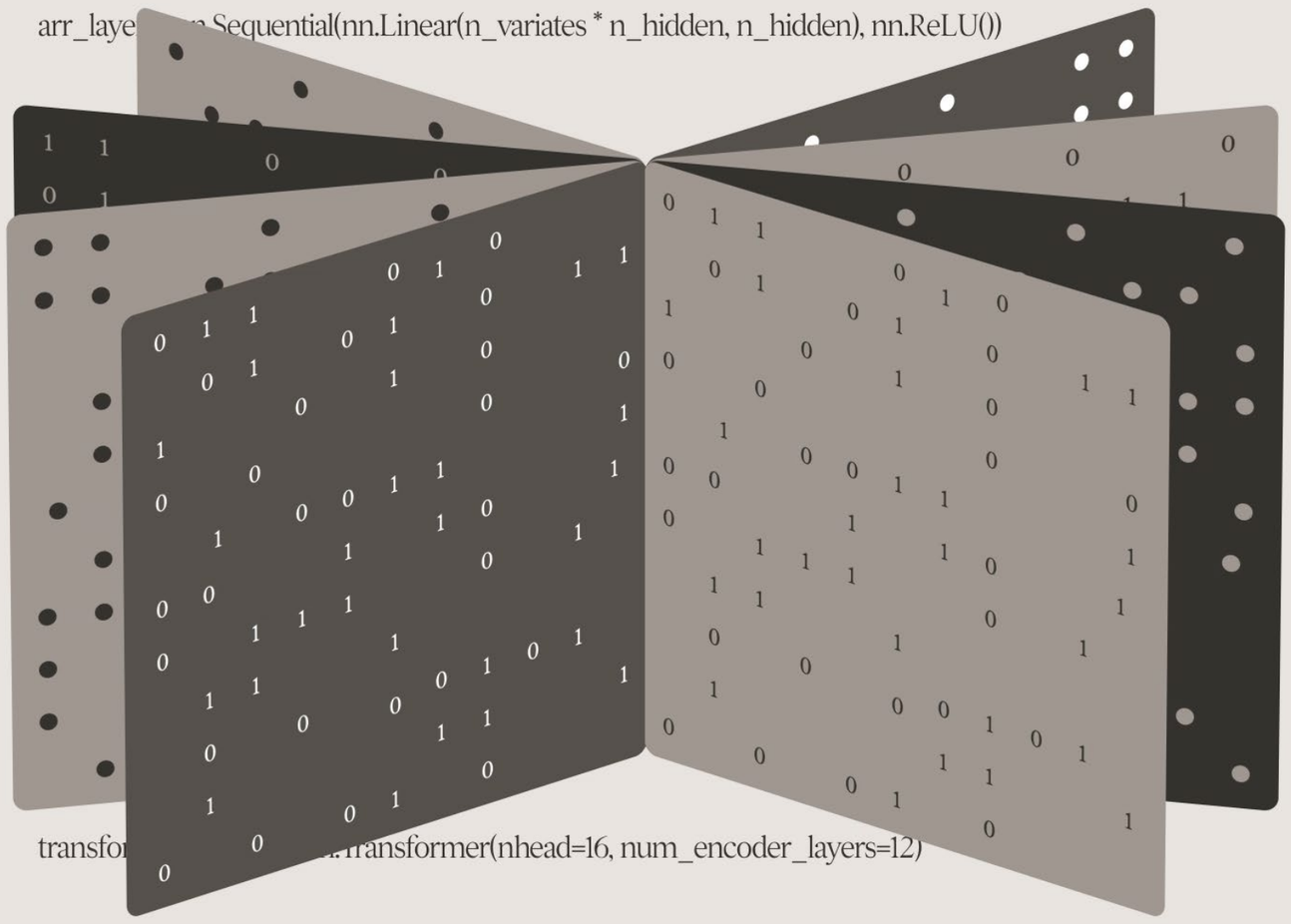
Beauhurst

Beyond Equity: Alternative Financing for the UK's tech startup ecosystem



model.fit(X, y)
torch.stack([marketing_spend.flatten(), sales_net.flatten()])

arr_laye n Sequential(nn.Linear(n_variates * n_hidden, n_hidden), nn.ReLU())



transfo ransformer(nhead=16, num_encoder_layers=12)

c1 = Conv2D(64, (3, 3), activation='relu', padding='same')(arr)

Contents

Foreword: Toward a more intelligent funding ecosystem for UK tech

The UK's tech startup ecosystem has matured significantly over the past decade. Thousands of ambitious founders are now building category-defining businesses across sectors, ranging from fintech and AI to renewable energy. This momentum reflects the strength of the country's talent base, a supportive regulatory environment, and a culture that increasingly embraces entrepreneurial risk-taking.

However, while the tech ecosystem has evolved rapidly, broader private capital markets have struggled to keep pace. Against the backdrop of a more unsettled macroeconomic environment, and with AI reshaping the rules of scale, it is time to rethink how we capitalise UK tech companies.

This report provides an in-depth exploration of the alternative financing landscape for UK tech companies generating less than £100 million in turnover. It addresses an often-overlooked question: what role do debt and other forms of non-dilutive funding play in helping UK startups achieve growth?

The findings show that alternative finance is no longer a niche solution reserved for a select few. Among the sub-£100 million revenue cohort:

- Total liabilities now stand at £241 billion (up from £98 billion in 2015). This figure encompasses not only traditional bank debt but an expanding range of financing instruments: from long-term loans to IP-backed lending and revenue-based finance.

- Growth capital debt accounts for £83 billion (up from £25 billion in 2015), representing more than one-third (34.5%) of all liabilities.

These trends reflect a shift; founders are increasingly seeking alternatives to pure equity-based growth. Yet, access to traditional debt products remains uneven. Only 14.3% of companies in this cohort have raised equity, which is often a prerequisite for most venture debt and bank lending products. These debt products typically require an equity cushion and institutional backing, leaving a large share of high-potential companies underserved by today's mainstream debt funding ecosystem.

At Gilion, we believe alternative financing can help bridge this gap, particularly for companies demonstrating strong revenue profiles, solid fundamentals, and clear growth trajectories. Whether through long-term loans, revenue-based finance, IP-backed lending, or other emerging financing solutions. These options offer founders the breathing room they need to scale without sacrificing ownership or strategic control. For investors, alternative financing adds a valuable layer of capital efficiency and downside protection in an increasingly uncertain funding environment.

Alternative financing is not always a replacement for equity, particularly at the riskiest stages of company building. However, for founders, it can serve as a strategic option at key inflexion points. As this report demonstrates, the infrastructure to support this market is growing, with more lenders, more products, and more signals that this space is ready to scale.

> **"If we want to build a more vibrant and resilient tech ecosystem in the UK, we should move toward a model of intelligent funding. This means giving founders access to multiple, tailored paths to scale. By integrating alternative finance more meaningfully into the capital stack, we can create a funding environment where founders and companies can scale on their own terms.**

Rahil Patel
Head of UK
Gilion

Introduction

This report outlines the debt landscape for small to medium-sized UK tech companies. These companies are defined as:

- **Operating within a tech sub-sector; and**
- **Having less than £100 million (m) in turnover on their latest financial accounts.**

The composition of these companies is:

- **A total of 13,308 companies with a turnover of sub-£100m; and**
- **Predominantly SMEs, with 11,100 having less than £20m in turnover.**

The **Methodology** section of this report provides further details on how the sub-£100m companies are defined and segmented.

Over the past decade, the debt financing landscape for tech companies has expanded significantly. A growing number of lenders are entering the market and offering larger loans than they did a decade ago, with more companies than ever turning to debt as a viable source of financing. Although government-backed loans issued during the COVID-19 pandemic contributed to this growth, the rise of alternative debt types, such as venture debt and IP-backed lending, has reshaped the market. These financing options give company founders the capital they need to grow without diluting ownership.

However, access to these opportunities is not universal. Banks and traditional lenders often prioritise companies that have secured equity investments or achieved some level of profitability, criteria that not all tech startups meet. As a result, a funding gap persists for growth-stage companies that are not on that path. This gap has created space for specialised lenders to step in with tailored financing solutions designed to meet the distinct challenges and growth trajectories of tech startups often overlooked by the conventional funding ecosystem.

01

Overview of debt financing

Debt financing

Total liabilities extend beyond debt and financing arrangements, encompassing a wide range of obligations common in the tech sector. Key components include deferred revenue from subscription-based models. These are a characteristic feature of Software-as-a-Service (SaaS) businesses. Also included are leasing obligations, provisions for employee benefits, and liabilities tied to intellectual property or licensing agreements.

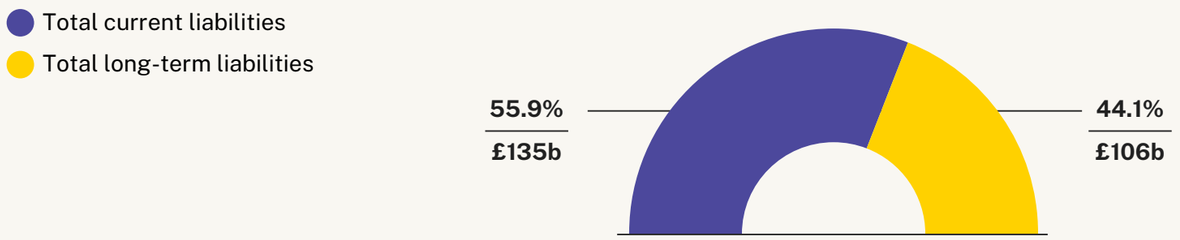
Total liabilities can be divided into two: current liabilities and long-term liabilities.

- Current liabilities represent financial obligations that are due within one year.
- Long-term liabilities refer to obligations due after more than one year, such as loans, bonds, or deferred taxes.

The latest financial statements of the sub-£100m tech companies report total liabilities of £241 billion (b).

This includes £135b of current liabilities, which account for 55.9% of total liabilities. Long-term liabilities make up the remaining £106b, representing 44.1% of total liabilities.

Proportion of total long-term and current liabilities of for sub-£100m tech companies (latest financial statement)



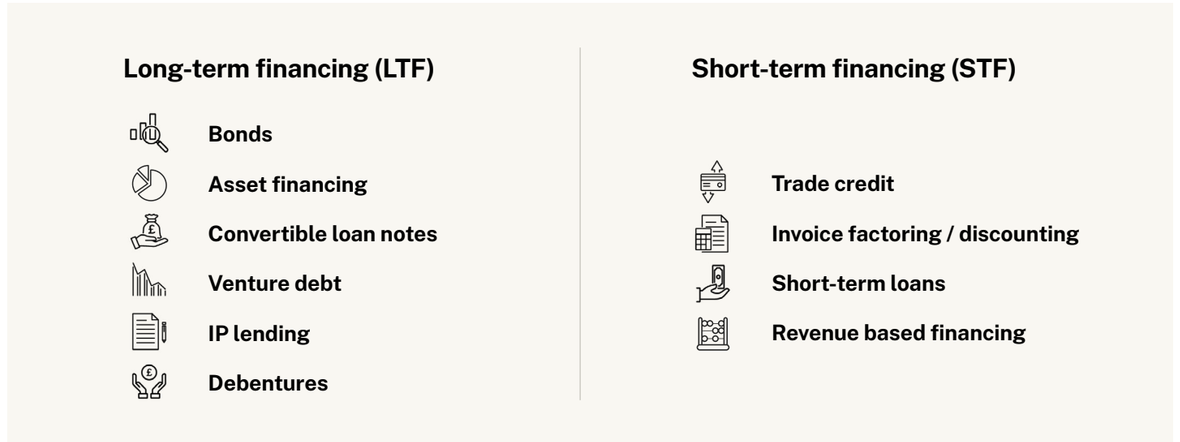
Components of debt financing

Debt financing is a method of raising capital where a company borrows funds and agrees to repay them with interest over time. This approach enables businesses to access necessary capital without relinquishing ownership. The core components of debt financing, as used in this report, are based on data available from a company's balance sheet. These include:

- **Bank loans and overdrafts:** Financial obligations owed to banks, split into two main types:
  - Bank Loans – funds borrowed under a formal agreement to repay the principal, along with interest, over a specified period.
  - Bank Overdrafts – facilities that allow withdrawals exceeding the available account balance, creating a temporary negative balance. These are typically used to manage short-term cash flow needs.
- **Long-term finance (LTF):** Financial obligations due to non-bank organisations, with repayment periods extending beyond one year.
- **Short-term finance (STF):** Financial obligations due within one year to non-bank organisations.

Purpose of debt financing

Debt financing serves various business objectives, primarily categorised based on the duration and nature of the financial need. STF is typically used to manage immediate operational expenses or working capital requirements. Lenders are generally more willing to provide STF because the short repayment period limits their exposure to risk. LTF is used to fund larger investments such as capital expenditures, business expansion or long-term projects. It involves a longer repayment schedule, which increases risk for lenders. Extended repayment periods raise exposure to economic downturns, inflation and interest rate volatility. In addition, borrower credit ratings may weaken over time, heightening the risk of default.



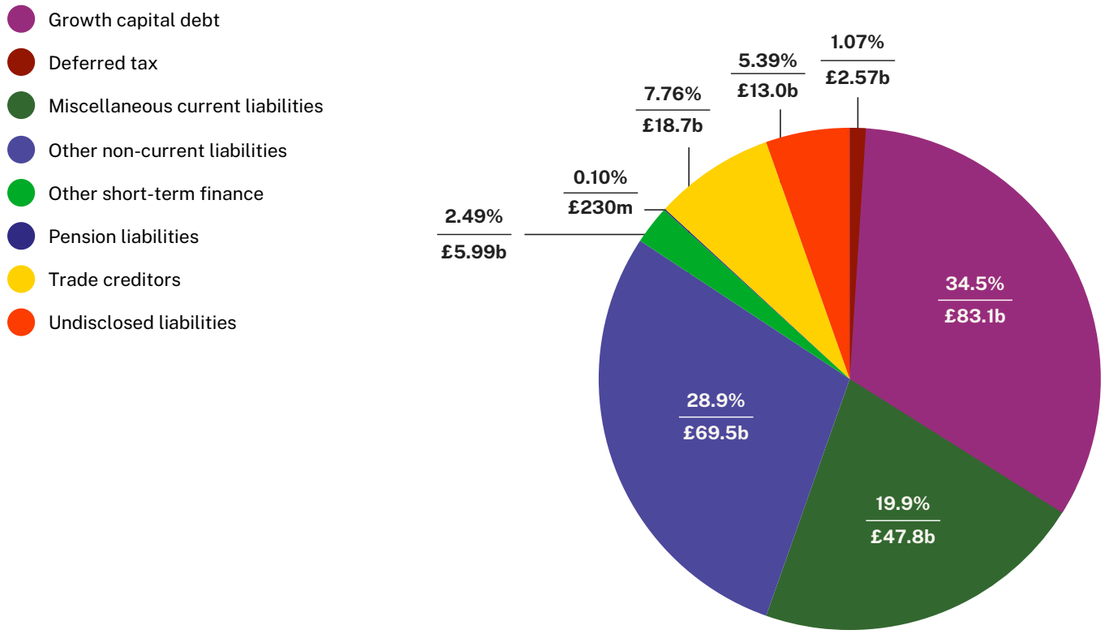
Growth capital debt

This report examines **growth capital debt** and its role as an alternative to equity financing for high-growth tech companies. Growth capital debt, defined as long-term financing provided by both bank and non-bank lenders, enables businesses to scale while preserving ownership.

Tech companies generating less than £100m in turnover often struggle to secure traditional financing due to their limited financial history, volatile cash flows, and reliance on future growth rather than current profitability. In this report, growth capital debt is measured as the combination of bank loans and overdrafts and LTF, as reported on a company's balance sheet.

Growth capital debt accounts for the highest proportion of total liabilities at £83.1b for the sub-£100m companies, representing 34.5%. STF is much smaller at £5.99b, equivalent to 2.49% of total liabilities.

A breakdown of total liabilities (latest financial statement)



The evolving debt financing landscape

Debt financing for UK tech companies has grown significantly over the last decade, highlighting its increasing relevance in the startup ecosystem. Over the last decade, £495b has been lent to UK tech companies. Over this period, the yearly volume of debt finance secured by these companies has risen sharply, supported by various economic factors and targeted initiatives.

Between 2014 and 2016, the Bank of England's (BoE) base rate remained steady at 0.5%. During this period, total debt volumes rose, reflecting strong demand among tech businesses. When the BoE reduced the rate further to 0.25% in 2016, total debt financing volume continued its upward trend, driven by more affordable borrowing costs.

March 2020 marked the beginning of national lock-downs, triggering the most acute financial pressure on businesses in over a decade. In response, the BoE drastically lowered its base rate to 0.1%, substantially reducing borrowing costs and enabling many companies to sustain operations through debt financing.

Simultaneously, the UK government introduced the Coronavirus Business Interruption Loan Scheme (CBILS), designed specifically to support SMEs by guaranteeing loans up to £5m. This support is reflected in the marked increase in the volume of debt financing to £79b in 2021.

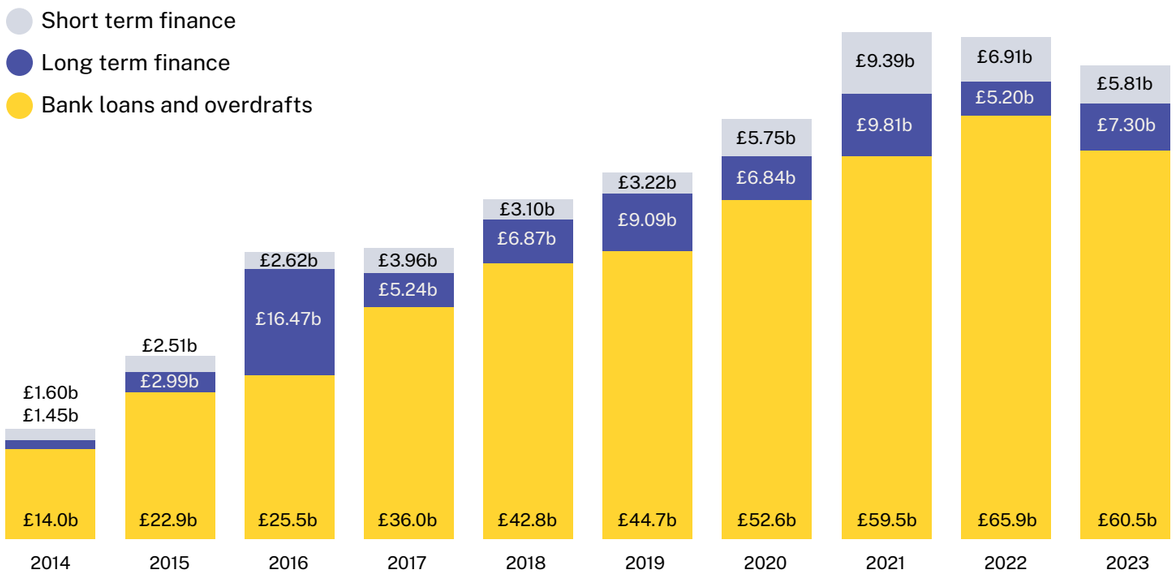
However, from late 2021 onward, the macroeconomic landscape shifted. Rising inflation led the BoE to increase its base rate significantly - from 0.1% in December 2021 to 5.25% by mid-2023 - sharply raising the cost of borrowing. Consequently, this caused a decline in debt volumes secured by tech companies, falling from £78b in 2022 to £73b in 2023.

Recognising the disproportionate impact higher interest rates have on smaller businesses, the British Business Bank introduced the Recovery Loan Scheme (RLS) in 2022, providing subsidies to help smaller firms manage borrowing costs. In July 2024, the BoE began easing rates, lowering them from 5.25% to 4.75% by November, as inflation approached the target level. Although full 2024 data is not yet available, this reduction likely facilitated a modest recovery in debt financing volumes.

Additionally, July 2024 saw the introduction of the Growth Guarantee Scheme (GGS), continuing the support previously provided by the RLS. Looking forward, debt financing appears set to continue growing, supported by new lending providers and innovative debt products. This trend is particularly relevant given the tightening in equity funding that has started in 2025,[1] as debt increasingly provides an essential alternative route for funding tech company growth.

[1] Beauhurst, 2025. The State of UK Investment Q1 2025

Average level of debt financing (2014 - 2023)



Charge holders

Charge holders are defined as individuals or entities that hold a legal right or interest over an asset as security for a debt or obligation. This typically occurs when a borrower pledges collateral (such as property, equipment, or financial assets) to secure a loan, and the lender becomes the charge holder. The majority of charge holders are banks.

The charge holder has the right to enforce the charge if the borrower defaults on the obligation, which might involve taking possession of or selling the pledged asset to recover the debt. Charges can be classified as:

- **A Fixed Charge:** A specific charge over a particular asset, like real estate or machinery, which the borrower cannot sell or dispose of without the charge holder's consent.
- **A Floating Charge:** A general charge over a class of assets, like inventory or receivables, which allows the borrower flexibility to manage the assets until default occurs, making it a fixed charge.

Since 2011, the composition of the UK's top charge holders has shifted notably.

Total charges since 2011
15,626

By the end of 2024, HSBC, Barclays, NatWest and Lloyds Bank had strengthened their positions at the top of the rankings. Back in 2011, the leading charge holder was Lombard North Central PLC, a subsidiary formed in 1971 through the merger of North Central Finance and Lombard Banking under NatWest.

By 2024, BayernLB and Silicon Valley Bank (SVB) had become the only two international charge holders in the top ten. Their inclusion signals the growing international influence on UK tech financing.

SVB had established itself as a key provider of specialist banking services to the tech sector, but its collapse in March 2023 raised wider concerns about the stability of tech funding in the UK. HSBC's £1 acquisition of SVB's UK arm ensured operational continuity and underscored the vital role that global banks continue to play in supporting innovation in the UK.

Top 10 charge holders as of 2011

Lombard	151
HSBC Bank	75
Barclays Bank	71
Lloyds Bank	42
National Westminster Bank	37
Royal Bank of Scotland	36
Clydesdale Bank	24
Co-operative Bank	21
Bank of Scotland	13
Silicon Valley Bank	7

Top 10 charge holders as of 2024

HSBC Bank	1315
Barclays Bank	1002
Lloyds Bank	756
National Westminster Bank	675
Lombard	523
Royal Bank of Scotland	510
Silicon Valley Bank	439
Santander	283
BayernLB	224
Clydesdale Bank	222

02

Access to debt

Access to debt: Company size

The debt-to-turnover ratio is often used as an indicator of lenders' willingness to provide financing to early-stage tech companies. Since many of these companies prioritise growth over profitability, traditional leverage metrics like debt-to-EBITDA or interest coverage ratios are often not meaningful.

Debt-to-turnover is particularly relevant for tech companies because they often lack significant tangible assets for collateral. This makes revenue quality, such as recurring revenue, contract stickiness, and customer retention, an essential factor in lending decisions. By focusing on this ratio, lenders can gauge whether a company has sufficient scale and underlying revenue fundamentals to service long-term debt, even if it is not yet profitable.

The debt-to-turnover ratios of UK tech businesses with annual revenues under £100m reveal trends in debt leverage across different company sizes over the past decade:

- Companies with turnover between £5m and £10m saw their debt-to-turnover ratio peak at 0.84 in 2021, at the height of the pandemic, before declining to 0.69 by 2023. Many of these companies relied on debt to manage the uncertainty of the pandemic period, particularly through government-backed relief schemes. Since then, they appear to have reduced their borrowing, potentially due to stronger cash flow performance or greater access to other sources of financing.

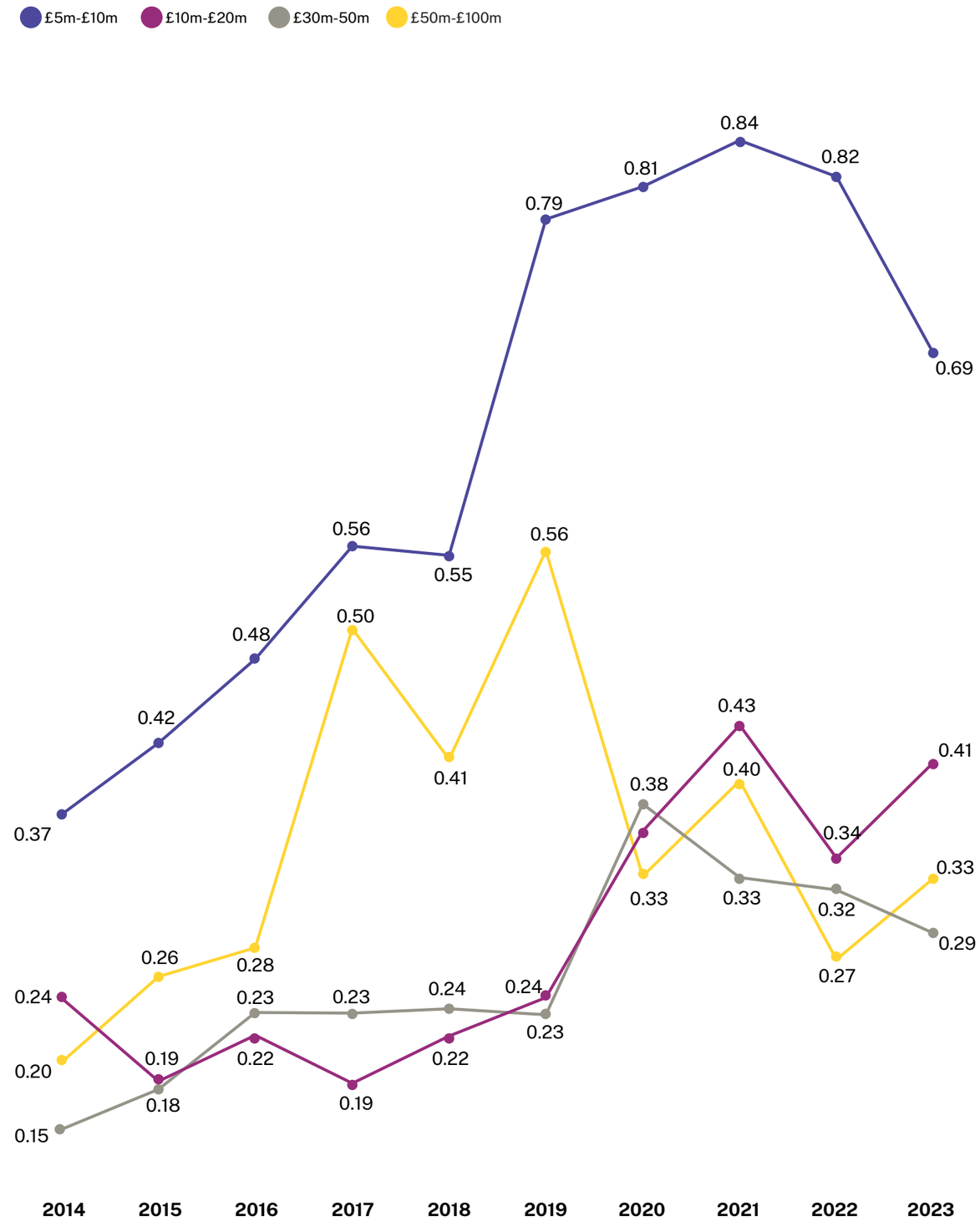
- A similar pattern is seen in the £10m to £20m bracket, where debt levels also peaked around 2020 to 2021 and gradually declined thereafter. This indicates a shift in financial strategy as market conditions stabilised.

- In contrast, larger companies in the £20m to £50m and £50m to £100m turnover brackets have maintained relatively stable debt-to-turnover ratios throughout the period, generally ranging between 0.2 and 0.5. This stability reflects a more disciplined approach to leverage, likely supported by stronger financial fundamentals and easier access to equity funding.

"Debt-to-turnover ratios by company size provide a useful benchmark for understanding the levels of debt lenders may be willing to offer tech businesses. However, these figures represent averages across all subsectors, and individual borrowing capacity will vary depending on sector-specific dynamics.

"Over the past decade, tech companies across all size brackets have seen an overall increase in leverage, with higher levels of debt now appearing on their balance sheets.

Average growth capital debt-to-turnover ratio (2014 - 2023)



Access to debt: equity vs non-equity-backed

Building on the debt-to-turnover analysis, it is clear that equity-backed and non-equity-backed tech companies take different approaches to debt. Access to equity shapes how companies borrow, influencing their risk appetite and financing strategy.

Among equity-backed companies, debt levels have remained moderate and relatively stable over time, with a slight increase following the pandemic. This suggests that these businesses use debt selectively, often as a complement to equity funding, reflecting confidence in their ability to raise further capital if needed.

Lenders to equity-backed companies often underwrite based on the company's future fundraising potential rather than purely on cash flow, which enables more flexible borrowing terms and supports a growth-focused financing model.

By contrast, non-equity-backed companies tend to rely more consistently on debt across the mid-market. In particular, companies in the £5m to £10m turnover range carry higher debt-to-turnover ratios than their equity-backed counterparts. Without access to external equity, these businesses use debt as a primary funding mechanism, supporting both operations and growth.

Larger companies' borrowing patterns have been more stable over time, indicating a cautious and sustainability-focused approach. Unlike equity-backed peers, non-equity-backed companies tend to prioritise financial stability over aggressive expansion.

> **Equity-backed companies use debt as a strategic tool to accelerate growth, supported by their ability to raise additional capital. Non-equity-backed companies depend on debt as their primary financing source, which results in structurally higher debt levels, particularly in the £5m to £10m segment.**

Average growth capital debt-to-turnover ratio for equity-backed companies (2014-2023)

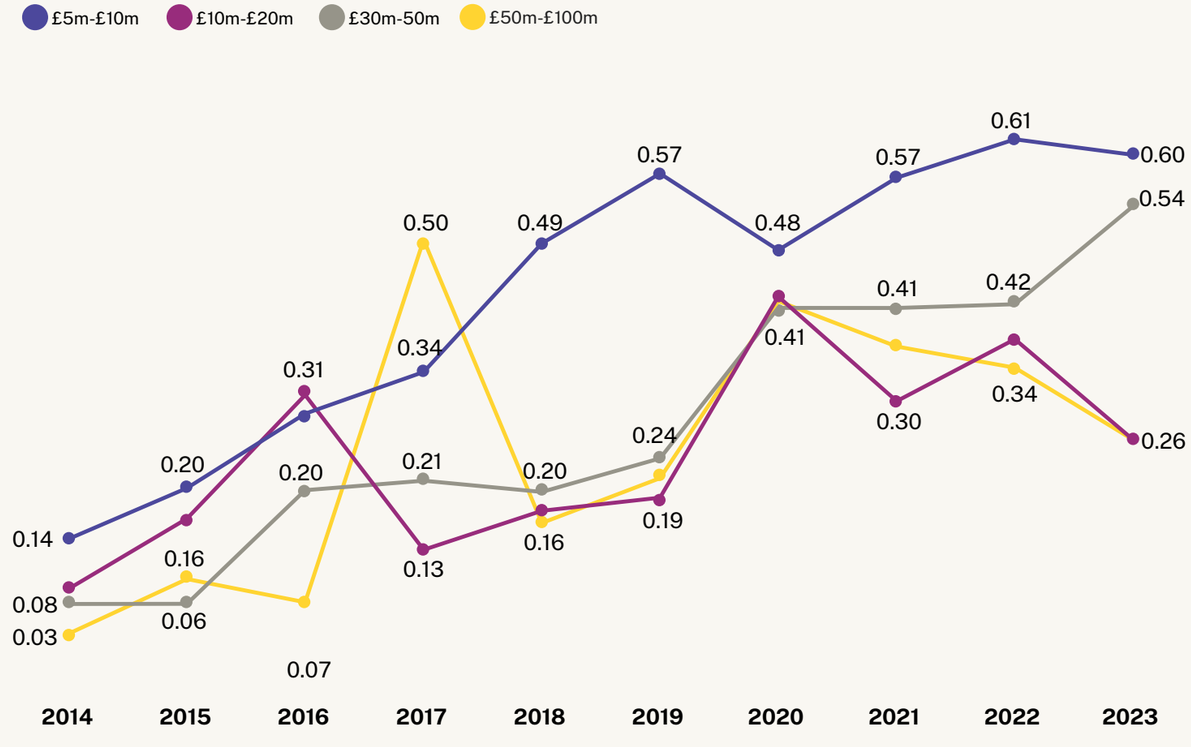
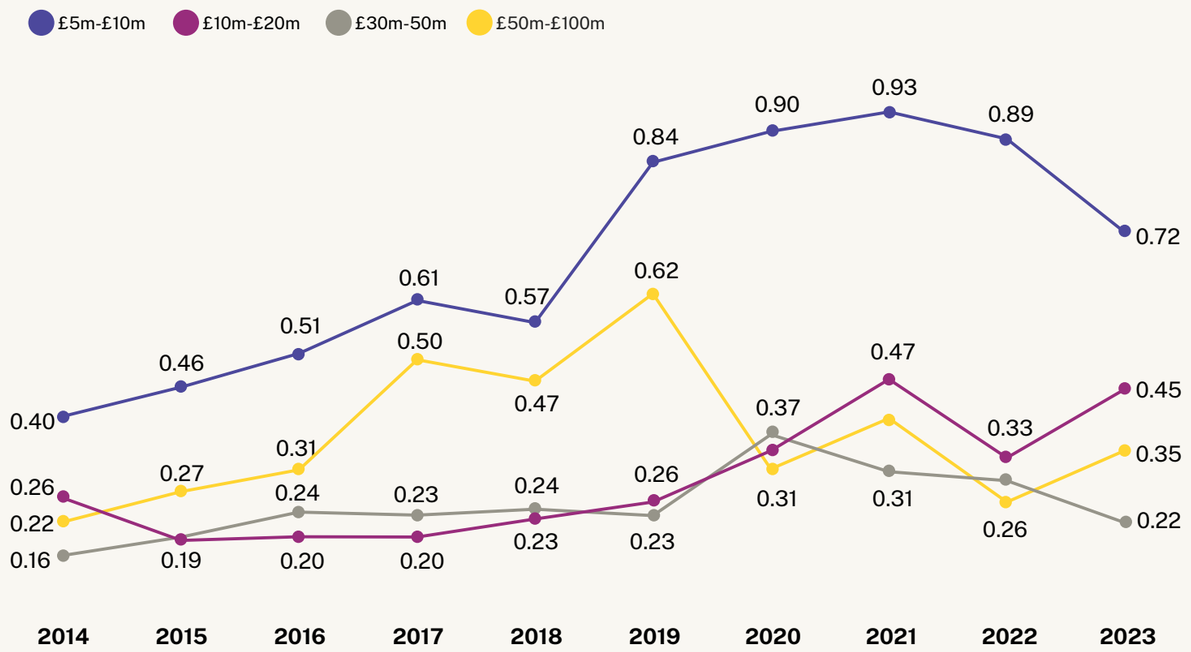


Chart: Average debt to turnover ratio for non-equity backed companies (2014-2023)



03

Debt and sectors

Debt within tech sub-sectors

Debt financing plays a role in supporting the growth of UK companies under £100m in turnover, with significant variation in how different subsectors leverage debt relative to their revenue and in the absolute volume of debt attracted.

The average debt-to-turnover ratio highlights which sectors operate with the highest levels of leverage. Naturally, loans, debt, and grants stand out with a ratio of 3.45, far exceeding other industries, given how pivotal debt is to their scaling journey. Other sectors with relatively high debt-to-turnover ratios include renewable energy (1.17), FinTech (1.14), and automotive (1.08), all of which are capital-intensive industries that often require substantial upfront debt investment.

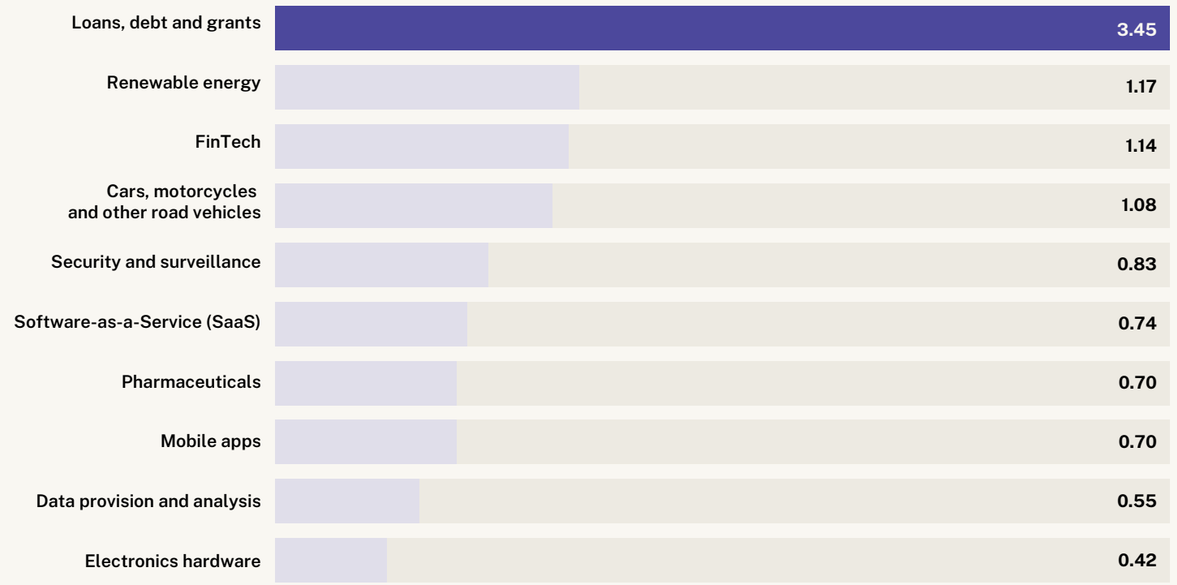
When looking at total debt volume attracted by sector, a different trend emerges. Renewable energy leads with £10.8b, reflecting strong lender appetite for projects in this space, likely driven by long-term infrastructure investments and government incentives. Software-as-a-Service (SaaS) and FinTech follow closely, attracting £8.64b and £8.19b, respectively, demonstrating lender confidence in scalable, high-growth digital businesses.

The findings highlight two key dynamics in debt financing across UK subsectors. First, industries such as renewable energy and SaaS attract significant debt volume while maintaining a moderate debt-to-revenue ratio, suggesting lender confidence in their long-term growth potential. Second, sectors with the highest debt-to-turnover ratios, such as loans, debt, and grants, do not necessarily attract the most debt in absolute terms, indicating that these businesses operate with structurally higher leverage but on a smaller scale.

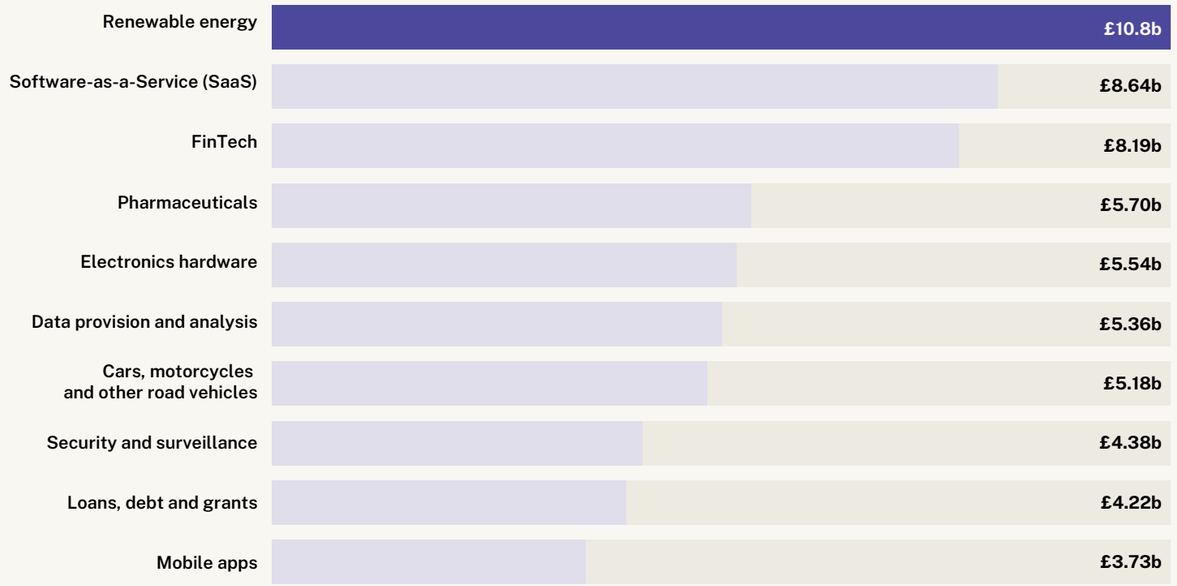
> **“These trends highlight the varying ways debt is utilised across subsectors and how lenders assess different business models based on their ability to service debt, particularly in relation to the predictability of cash flows.**

[1] Companies can operate in multiple sub-sectors. Total values of debt can be double counted within different sub-sectors.

Average growth capital debt-to-turnover (latest financial statement)



Average growth capital debt by sub-sector (latest financial statement)



04

Breaking the equity lock

Expanding debt access for UK tech

Historically, venture debt has played a significant role in supporting UK tech companies, with more than 10,000 businesses benefiting from this funding between 2022 and 2023. Traditional venture debt providers typically have criteria that companies must meet. For instance, **HSBC's growth financing scheme** requires high-growth tech startups to have raised at least £25m in equity, generated over £7m in annual revenue, and demonstrated at least 20% growth over the past two years.

Banks require equity funding because traditional venture debt underwriting relies heavily on a company's ability to raise future equity, expecting existing investors to step in if the business faces difficulties.

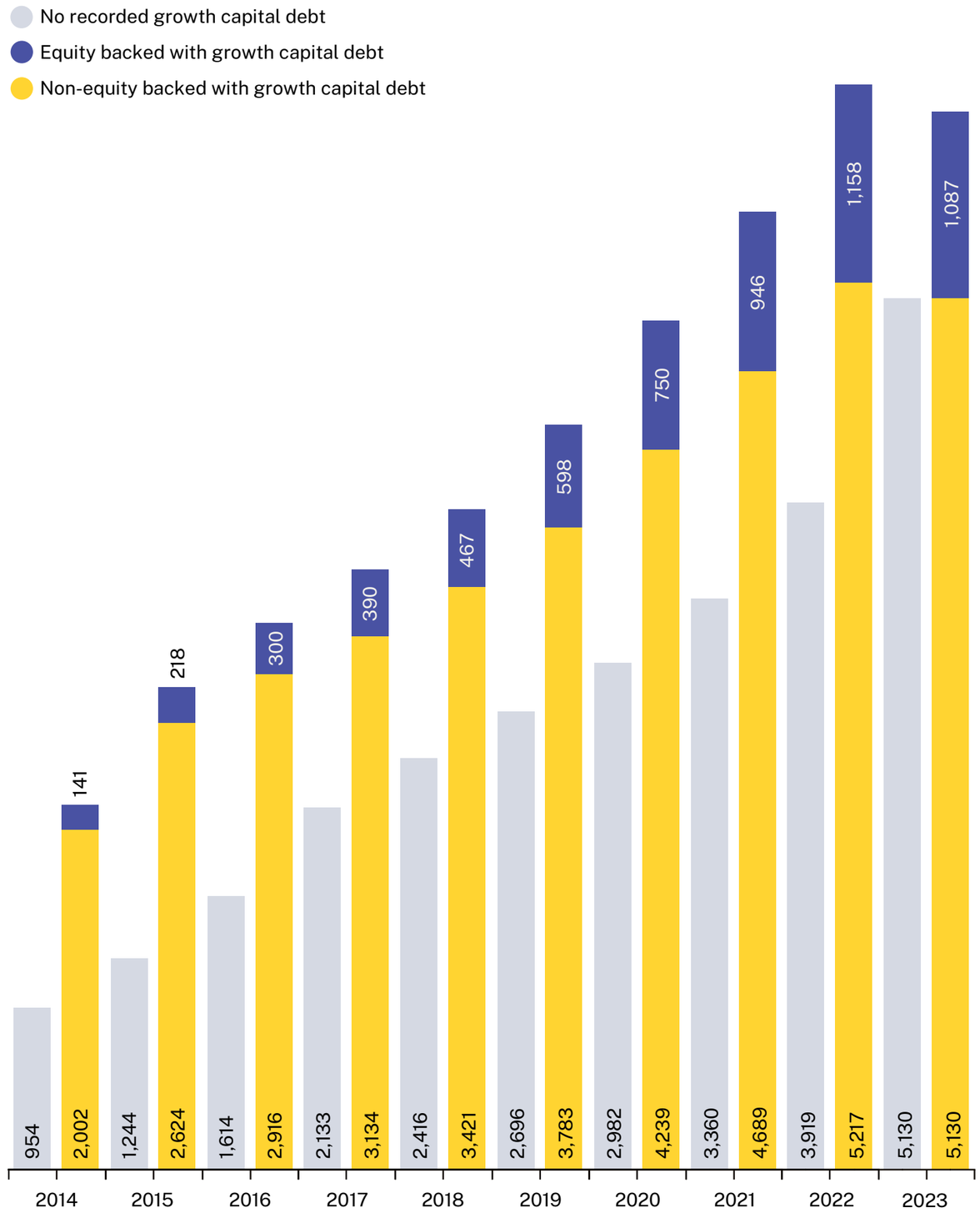
However, a growing number of non-equity-backed tech companies are also turning to debt financing to support their growth. To address this unmet need, alternative lenders have entered the market.

One such lender, **Gilion**, focuses specifically on SaaS businesses, offering loans to companies with at least £1 million in annual recurring revenue without requiring prior equity investment. By leveraging real-time data and advanced forecasting techniques, Gilion assesses a company's near-term cash flow potential and ability to service debt, even if the business is not currently profitable. This represents a more nuanced and forward-looking approach to credit assessment.

Among sub-£100m turnover tech companies, **46.3% (6,161 companies)** have annual revenue above £1 million, which is over three times the proportion of businesses that have raised equity funding. This highlights the significant opportunity for alternative lenders like Gilion to expand access to growth debt capital within this underserved segment.

> **"More broadly, the emergence of alternative debt financing solutions gives tech companies greater flexibility. Businesses can now strategically use debt funding independently of equity rounds to achieve profitability, optimise their valuation by delaying equity fundraising, or extend their runway towards an exit without premature dilution.**

Number of companies with growth capital debt by equity status (2014 - 2023)



Methodology

The following definitions/methods are used in this report:

Tech companies:
This report includes data on 13,308 companies that operate within the tech sector that have a turnover of less than £100m in their latest financial statements.

The technology sector is broad, encompassing a diverse range of sub-sectors. For the purposes of this report, an expansive definition is applied, using a bespoke set of tech-related sub-sectors available on the Beauhurst platform. This tailored classification is designed to cast a wide net over the industry. Following this, companies are manually reviewed to exclude consultancies, recruitment firms, and other businesses whose core activities are not rooted in technology.

The financial statements of the identified tech companies were reviewed, excluding any business with an annual turnover of £100m or more. The remaining group, referred to throughout this report as sub-£100m companies, forms the core focus of the analysis.

Financial statements:
The analysis in this report is based on company financial statements, referred to as either the latest available accounts or 2023 data. The majority of these statements are dated 2023, with a small minority from early 2024. Due to the nine-month filing window permitted after a company's financial year-end, accounts filed in 2023 typically reflect financial performance up to and including that year. As such, the 2023 data provides the most recent, complete set of annual accounts available at the time of writing.

Growth Capital debt:
To assess the use of debt for growth, this report draws on liability data from company financial statements, focusing on items that best represent structured financing rather than total liabilities.

Two categories are used:

- **Bank loans and overdrafts**
- **Long-term finance**

These are selected as the clearest indicators of formal debt arrangements linked to growth. *Bank loans* reflect credit provided by financial institutions. *Overdrafts,* while typically used to manage short-term liquidity, are included due to filing conventions.

Companies report them alongside bank loans as a combined item. Although overdrafts may be less directly linked to long-term growth capital, their inclusion ensures a comprehensive view of a company's access to bank finance.

Long-term finance, refers to borrowing arrangements with maturities extending beyond one year. This category includes debt provided by non-bank lenders, such as, asset financing or intercompany loans, rather than traditional bank loans. These instruments are typically used to fund capital expenditure, acquisition, or other long-horizon initiatives.

Together, these two measures allow us to isolate forms of external finance that are more likely to underpin business growth, rather than day-to-day operational spending.

Beauhurst

4th Floor, Brixton House
385 Coldharbour Lane
London
SW9 8GL

www.beauhurst.com
+44 (0)20 7062 0060
consultancy@beauhurst.com

Beauhurst is the ultimate source of UK private company data.

Through our data platform, we provide data on every UK private company — from investments and hiring status, to patents and trade data — identifying hidden growth, innovation, risk, and ESG signals across UK companies.

Our Research and Consultancy team can provide powerful insights, thought leadership, and data-led reports. Please get in touch if you would like to talk about a project.

GILION

3rd Floor, Mortimer House
37-41 Mortimer Street
Fitzrovia
London
W1T 3JH

www.gilion.com
rahil@gilion.com

Gilion provides intelligent funding for ambitious technology founders.

We combine capital and technology to offer flexible, non-dilutive financing tailored to the unique needs of tech companies. By connecting real-time performance data directly to funding, our platform enables faster, fairer access to growth capital.

To date, Gilion has provided over €100m capital to founders across Sweden, Denmark, Finland, Germany, the Netherlands, and the UK - offering loans ranging from €500k to €5m.

Editor
Henry Whorwood, Rahil Patel (Gilion)
Production
Miraj Mistry, Justin Tsui
Design
Hannah Nicholls, Evie Luckhurst

Beauhurst