

Overview – LifeArc input to the Independent Review on University Spin-Out Companies

March 2024



In 2023 the UK Government commissioned an Independent Review of University Spinout Companies. The Review came at an ideal time to examine and enhance the UK's spinout offering and LifeArc inputted heavily throughout the process, sharing our insights from over 25 years' experience. This document summarises our input throughout the process.

About LifeArc

LifeArc is a self-funded medical research charity. We support academics, entrepreneurs, investors, and charities to advance early-stage scientific discoveries, so they can be developed into the next generation of diagnostics, treatments, and cures. We do this by offering a unique combination of funding (philanthropic and venture capital), advice (notably in technology transfer and business development), and science (including two laboratories with specialisms in drug discovery and diagnostic development respectively).

LifeArc input

We argued throughout that the Review – and any subsequent actions – would benefit from taking a broad perspective on the UK's spinout ecosystem. Specifically, any intervention to improve spinouts in the UK should seek to:

- **Spinout better, not just more** – spinning out is not always the most appropriate course of action. When it is, we should assess quality as well as quantity. This means spinning out companies in a way that maximises their chances of surviving and going on to create long-term impact. This is especially important in life science where there is a strong public interest in spinouts that survive to carry new treatments, diagnostics and cures to patients.
- **See beyond deal-making** – it's right to improve deal-making, but the challenges to delivering a successful spinout go beyond deal-making. See for example the [Triple Chasm Model](#). It is crucial to think holistically about the science, skills (including leadership), knowledge and experience, infrastructure, networks and funding that help companies spinout and survive. LifeArc approaches early-stage translation with a primary focus on impact for patients, with consideration of five key domains of impact: Knowledge, Ecosystem, Asset progression, Economy, and Institutional Sustainability to ensure ongoing cycles of innovation to benefit patients.
- **Adopt systems-thinking** – see the spinout process within its macro environment that shapes incentives, including: the financial sustainability of universities; the attractiveness of the UK as an investment destination; the precarity of careers for academic researchers as would-be entrepreneurs; the availability of capital, talent and local markets.

- **Boost expertise** – it can be difficult to make informed decisions (let alone quick ones) when spinning out: no two spinout journeys are the same and in the life sciences there is a long, complex route to patients. It would help – especially outside well-developed spinout zones – to improve access to experts in the given type of asset/market.
- **Address market failures (focus on patients)** – each stakeholder has unique incentives, based on the risks and rewards they face. It is unwise to expect stakeholders to act in the long-term interests of patients if they are not rewarded for doing so. As a not-for-profit organisation, LifeArc helps fill that market failure and plans to build on our expertise to further facilitate translation across the UK to drive progress for patients.
- **Address market failures (boost early-stage funding)** – there is a lack of funding and broader resources in the ‘valley of death’. LifeArc provides a good model for how this gap can begin to be filled – and other innovative models should be explored (including how to encourage more charitable investment). Life science companies need access to capital from global sources to compete and we must build companies able to raise funds from global venture capitalists (VCs). Increased Government funding support for innovation will help deliver long-term financial returns to investors in this asset class.
- **Avoid one-size-fits all** – any intervention to enhance the spinout space must account for the case-by-case nature of successfully spinning out a company. This is especially true for different assets, at different stages of maturity. LifeArc approves of the holistic approach of the Triple Chasm model as well as the ‘landing zones’ approach of the recent USIT guide.
- **Avoid stereotypes** – recent studies (notably Busting Myths) suggest certain stereotypical challenges are no longer present, or as acute, as once thought. Similarly, international comparisons should be approached with nuance/systems-thinking.

We were pleased to see many of these points reflected in both the final Review, as well as the Government response. For example, the £20 million proof-of-concept fund which helps address the need to boost early-stage funding.

We continue to engage with all parties to ensure the UK’s spinout ecosystem is world-class and crucially helps us to make life science life changing.

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