



The next generation

A new wave of firms have sprung up in the last few years, providing new solutions to companies seeking finance, write **Jules Gray** and **Temoor Iqbal**

■ While the UK economy goes through a transformative change, revolutionary new venture capital and private equity houses have emerged in recent years. We met with several of these pioneering firms to see how they're shaking up the investment landscape.

► **Debbie Wosskow** AllBright

Focused on “making the UK the best place to be a female founder”, AllBright is a funding and education platform for female entrepreneurs and female-led businesses. Despite such a remit being relatively rare in the venture capital space, co-founder Debbie Wosskow is of the opinion that it makes perfect sense: “When we started looking at the data, it became a no-brainer,” she says. “Only 10% of the world’s venture capital goes to female-led businesses, even though such companies – and those with diverse boards – deliver better returns on investment than those led solely by men.”

Of course, supplying capital and support to female entrepreneurs is one thing, but it’s of little use if there’s insufficient demand, and the small number of female-led businesses in the UK suggests this might be the case. However, according to Wosskow, this actually places the problem the wrong way round – the demand is there, but it’s the supply of support and funding that’s lacking. “From our experience working with business founders and listening to female British consumers, we knew that 10% of women in this country want to start a business. When you scratch beneath the surface and ask why they aren’t doing so, you find that they tend to lack access to support networks and don’t know where to go for capital.”

Wosskow’s own experience chimes with this: “Throughout my career as a serial entrepreneur, I only ever had the opportunity to pitch my businesses to male investors.” For this to change, the industry needs to involve women at every stage of the process, which is where AllBright comes in. “Businesses founded by women often look different to male-owned equivalents. They tend to be in lower-growth industries, such as retail or service-based sectors, which means they often reflect business models that venture capitalists have not invested in before.” As women investing in female-led ventures, AllBright’s founders are out to eradicate this blind spot, and they’ve already backed four promising start-ups since launching in November 2016.



PHOTOGRAPHY: CHRIS O'DONOVAN

► **Daniel Sasaki** Mayfair Equity Partners

As head of LDC’s London team, Daniel Sasaki and his team built up a formidable reputation for prescient and carefully selected investments, including tonic water manufacturer Fever-Tree and billboard giant Ocean Outdoor. Now, Sasaki and some key members of his former LDC team – Waqqas Ahmad, Bertie Aykroyd and Kunal Dasgupta – have set out to make it as an independent investment vehicle, named Mayfair Equity Partners.

Mayfair Equity keeps its sector focus relatively narrow in order to concentrate on a wide range of companies within its chosen areas. “We focus on growing businesses in the technology and consumer sectors,” says Sasaki. “This focus has provided us with a first-mover advantage in creating a high-quality network in these industries. This network then helps us to identify, evaluate and support some of the most

talented incumbent management teams working in the tech and consumer segments.”

Indeed, backing talented managers is at the core of the firm’s ethos. “Unlike many sector investors, we do not look simply to buy assets, but to back talented and motivated management teams,” according to Mayfair’s mission statement. In line with this people-focused philosophy, Sasaki denotes his team’s major investments in terms of the managers they’ve backed: “We’re probably best known for partnering with entrepreneurs like Charles Rolls and Tim Warrillow of Fever-Tree, Steve Weller of uSwitch, Stephen Fitzpatrick of OVO Energy and Robin Rowland of YO! Sushi,” he explains. “But we are equally proud to support rising stars like Eric Newnham of Talon Outdoor, Dylan Collins of SuperAwesome and Declan Gallagher of Promise Gluten Free. The common thread that runs throughout our portfolio is that we are backing innovators; people who are redefining their industries and whose best years are still ahead of them.” ►



Nazo Moosa VT Partners

As an investment firm with a global outlook and particular strength in growth capital, VT Partners invests in a wide range of technology companies, covering industries as diverse as energy, healthcare, transport and logistics, and manufacturing. However, in contrast to this wide range of investments, VT sees its role as narrow in scope and specialist in its outlook.

“At the heart of VT is the belief that specialists outperform generalists,” explains managing partner Nazo Moosa. “Most European growth funds have expanded, becoming more generalist and more buyout-focused in their approach. In contrast, we believe that domain expertise and a research-based approach to investing improves

investment sourcing success, especially in more opaque markets like Europe. Deep sector knowledge reduces deal-related costs and improves the odds of investing in the right asset. More importantly, it enables the investor to proactively add value to portfolio companies in a way that generalists simply cannot.”

With these principles in mind, VT is working to address two specific gaps in the market: the funding gap for technology SMEs, and the investment gap for informed, niche experts. “By narrowing our field of investment, we believe we can take more informed decisions and provide a greater level of support to the owner-managers that we back,” says Moosa.

“At the heart of VT is the belief that specialists outperform generalists”

NAZO MOOSA

Anna Hyde Bethnal Green Ventures

An early stage investor in tech entrepreneurs, Bethnal Green Ventures (BGV) is focused on ventures with ideas that aim to change the world for the better. According to partner and investment manager Anna Hyde, one of the organisation’s aims is to demonstrate that social impact and profitability are not trade-offs: “We believe, and want to show, that it is possible to achieve significant social impact alongside financial returns – that the two reinforce one another.”

Prior to BGV’s entry into the space, there was little appetite for backing such ventures – something the firm was determined to change: “The majority of funding for social ventures came from grants. We thought we could do something more with venture capital, which targets high growth and big returns, and forges lasting relationships between investor and investee,” she explains. “We have a strong network of people – those with expertise and experience in building tech solutions, and those working at the sharp end of social problems.”

The fund’s ventures include hospital appointments system DrDoctor, sustainable smartphone manufacturer Fairphone and civic engagement platform Apptivism. Hyde sees particular potential for growth in the sector occupied by the latter: “We’re seeing more opportunities in civic tech, with democratic engagement being such a hot topic since the Brexit vote, alongside the rise of fake news and the changing role of the media. We believe that using technology in this space will become increasingly important to ensure that societal values are reflected more accurately in government, in elections and in the media.”

Of course, Brexit itself also makes this mission more complicated, at least in terms of the uncertainty that UK venture capital investments will have to endure. For this reason, BGV is working on its continental reach too. “The social impact ecosystem in the UK is growing, with more impact entrepreneurs emerging and the number of investors increasing, but we have yet to see the impact of Brexit,” explains Hyde. “That’s why, with our plans for investing more in European companies, we plan to strengthen our ties with the continent.”



Guy Gillon and Christian Hamilton Tenzing Private Equity

Bucking the venture capital trend of taking a minority holding and offering growth guidance, Guy Gillon and Christian Hamilton of Tenzing Private Equity focus on buyout investments, with a niche focus on UK-based high organic growth SMEs valued up to £50 million. Given this all-or-nothing approach, Gillon and Hamilton place even more emphasis on their own team, entrepreneurs panel and networks; not just looking for partners with high-quality, ambitious management teams, but also for opportunities for the Tenzing team to add real value. “We’d like the firm to attract not only super hungry, talented and ambitious management teams, but also super hungry, talented and ambitious staff,” they explain. “We want a firm that is inspired by the best bits of world class performance, and that provides an opportunity where our own team can challenge themselves, make a real difference in helping that company grow, and have fun in the process.”

FMP is an investment that sums up their philosophy. “FMP provides payroll services to the international SME market, as well as UK payroll and payroll tech platforms for around 25% of domestic providers. It has high levels of recurring income and grows at 15% a year. Our entrepreneurs panel is helping to develop the company’s tech and it’s now moving into HR services. What’s more, the team at FMP are super ambitious – there’s lots of incremental growth opportunity, and there are heaps of ways we and our entrepreneurs panel can help too.”

The entrepreneurs panel is a key competitive advantage, being formed of six experienced founders with 70 years of CEO combined experience. Together, the panel has created a 1,400 jobs, managed a workforce of around 1,700, generated profits of over £100 million and created shareholder value of roughly £1 billion.

While Brexit may be a concern, the company’s tight focus should help it with any economic trouble. “With a focus on high-growth businesses, we tend to back niche market leaders that are around 10 years old. These businesses have given themselves a fundamental right to grow, independent of the economy.”



1,400

The amount of jobs created by Tenzing’s entrepreneurs panel



£100m

The combined generated profit by Tenzing’s entrepreneurs panel



▲ **Mauro Moretti**
Three Hills Capital Partners

Focusing primarily on sponsorless investments, Three Hills Capital Partners (THCP) applies private equity tools to provide structured capital solutions for businesses, often spanning unitranche, mezzanine and equity capital. The firm's strengths include its dedication to full and complete due diligence, which managing partner Mauro Moretti describes as akin to that typically carried out by traditional private equity firms.

So, how did THCP carve out this unique position? "In Europe, until 2007-08 there were basically three groups of investors in private capital: banks and mezzanine funds supporting leveraged buyouts, and private equity funds seeking control," Moretti explains. "We identified a gap in this pre-crisis market;

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€20-50m
The typical value of investments that THCP makes

we were meeting a lot of successful entrepreneurs who were looking for development capital, and were not open to selling control. Effectively, there was a shortage of capital providers willing to take minority positions, so our idea was to develop tailor-made financing solutions to partner with successful entrepreneurs whilst reducing the dilutive impact of equity."

Of course, this has led THCP to approach investment opportunities with laser focus. "We are typically looking to identify companies with high-growth potential, seeking partnership-based collaboration with THCP, in order to fund and support continued development of the company and capitalise on transformational events, such as M&A, organic expansion projects or minority shareholder buyouts," says Moretti. "Amongst other critical characteristics, it is essential that these companies are managed by highly skilled, experienced and ambitious management teams who are fully committed to the development of the company." Two of the firm's stand-out investments that depict these qualities well are synthetic fibre manufacturer Aquafil, which is about to become a listed entity, and sports data platform Genius Sports Group which has doubled its revenue within two years.

The ambition is to continue developing and entrench THCP as a truly differentiated alternative investment provider, according to Moretti: "In the coming years, we would like to continue to establish ourselves as the asset manager of choice for investors looking to place capital in investment opportunities characterised by enhanced risk-adjusted returns. The team is truly passionate about working with and developing entrepreneur-backed businesses, and our ambition is not to pursue any deal or investment strategy for the sake of increasing assets under management."

“The team is passionate about working with entrepreneur-backed businesses”

MAURO MORETTI



£80m
The value of Beech Tree's second fund that closed in June

Andy Marsh and Paul Franks
Beech Tree Private Equity

A firm taking a more personal approach is Beech Tree Private Equity. Launched in 2014, it is based in Birmingham and the North. Founders Andy Marsh and Paul Franks previously worked at Gresham, running the regional operations – Franks in the Midlands and Marsh in the North. Having worked together for 10 years – and with 40 years, experience between them in the private equity industry – they decided in 2014 to have a go at running their own firm.

"We felt there was an opportunity for a slightly different private equity firm to emerge," says Franks. "With more dynamic decision making and for the senior guys to be involved on the ground and at an investee board level."

Taking a subsector-driven approach to investment, Beech Tree has so far invested in four businesses. These include telematics systems integrator RS Connect and unified communications provider Wavenet. RS Connect has rapidly expanded its operations in the two years since Beech Tree's investment, while last year's £35 million management buyout of Wavenet has seen Beech Tree take an aggressive buy-and-build strategy, with three acquisitions made in 12 months.

"We look at sectors where we think we can drive good returns over the next five to 10 years, regardless of the state of the UK economy. Then we go out and source investment opportunities directly in those sectors," says Marsh.

In June Beech Tree closed their second fund worth £80 million. Having made one investment already out of this fund, Beech Tree expect to make between two and three investments in the next 18 months. Their fund is different to others in that the investors are happy with a higher level of concentration of investments per fund and, as such, it is likely they will start talking to investors again for the third fund in the second half of 2018. ►



◀ Radboud Vlaar Orange Growth Capital

Orange Growth Capital (OGC) is an investment firm very much aware of the need to connect established and growing markets. With that in mind, the company focuses on fintech investments in Europe and South-East Asia and has a strong preference for being the first institutional investor on board in fledgling projects that demonstrate proof-of-concept and basic revenue potential.

This focus comes from the firm's roots, as partner Radboud Vlaar explains: "We felt, and still feel, that there is no independent venture capital fund with the financial sector network and expertise to help early-stage companies scale faster." It is OGC's aim to change this through building international relationships and encouraging cross-border growth in the firms in which the fund invests. "We focus on exceptional entrepreneurs who want to be leaders in their sectors and have international ambitions. We ourselves are very international, operating from offices in Amsterdam, London and Singapore."

As one would expect, of course, it is not the location of these offices that

drives OGC's regional focus, but rather the opposite. "Europe has been at the forefront of financial innovation for the last century," says Vlaar. "This means financial technology is adopted early by consumers and companies, and it also means that European regulators are more start-up-friendly than in the US. By the same token, we like the South-East Asian market because we believe that many proven European models could be rolled out there by tailoring them to local needs. In particular, we work a lot in Singapore and Indonesia; the latter is expected to be a top-four global economy within the next 20 years. In addition, we find that in this region there is much innovation in engaging with millennials, which we believe is also relevant for European businesses."

Boiling the firm's ethos down, Vlaar is remarkably concise about what OGC does: "In essence, we help early-stage technology companies scale both domestically and internationally, albeit European companies expand into Asia or Asian companies scale faster by sharing European lessons." Simple, perhaps, but all the best ideas are, and this approach is nothing if not sustainable and scalable over time.

Richard Anton Oxx

Launched at the start of the year by former Amadeus Capital partners, Richard Anton and Mikael Johnsson, Oxx is a growth capital investment firm based in both London and Stockholm.

Having spent 18 years at Amadeus, Anton says he was inspired to launch Oxx with Johnsson through clear evidence that there was a gap in the market targeting scale-up stage B2B software firms within the Nordic region, the UK and Israel. It was also down to basic ambition.

The attitude they take is of backing serial entrepreneurs with strong track records. "We're adults backing adults" says Anton.

Anton and Johnsson have taken six investments with them from Amadeus:

Celltick, Clicktale, ForeScout, Openbravo, Relayware and ThinkTank. Israel-based cybersecurity pioneer ForeScout, in particular, has been a hugely successful firm, growing rapidly and recently being valued at US\$1 billion. In September, Oxx announced its first deal since launching – a US\$12 million investment in Stockholm-based software company Apica.

Looking ahead, Oxx is seeking to grow their portfolio companies to the point at which they will expand internationally, and in particular into the US market.

Since launch, the response from the market has been enthusiastic, despite the uncertain economic conditions, and Anton feels there's an opportunity out there for ambitious firms like Oxx.



"We're adults backing adults"

RICHARD ANTON