



Private Company Quarterly

February 2018

Prepared by

EXPLAIN
THE MARKET

EDITION ONE:

A STORY OF REMARKABLE GROWTH IN
PRIVATE INVESTMENT

Research methodology

This report evaluates data from ExplainTheMarket, Beauhurst and over 20 other publicly available sources to highlight the current state of ambition and potential in the UK private market as we look ahead to 2018/9.

All research and analysis was conducted by ExplainTheMarket Ltd, (www.explainthemarket.com) in accordance with the Market Research Code of Conduct. We are grateful to everyone who participated for giving their time and sharing their expertise.

This series of reports runs throughout 2018/19, covering a wide range of topics relating to the UK private investment market.

finnCap Private and ExplainTheMarket

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653
Private investment deals

£3.95bn
Invested

15%
Growth on previous year

UK private companies
as an asset class are
extremely attractive



Overall growth

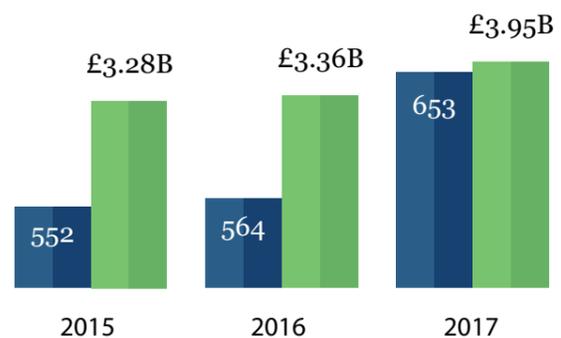
Over 600 private investment deals took place last year taking the total size of private investment in new and growing UK firms to just under £4 billion.

London leads the way in terms of mega deals and overall levels of investment. However, right across the country private investment continues to flow into new funds, factories and start-ups. The East of England and East Midlands are enjoying increased levels of private investment.

The number of start-ups in Nottingham grew by over 13% last year and Leicester is now home to largest start-up event in the UK. Elsewhere, private investment flowing into the North West of England continues to power more business growth. Over £300 million has been invested in the area since the start of 2017.

A STORY OF YEAR ON YEAR GROWTH

- ▶ Number of transactions
- ▶ Amount raised (£ billion)



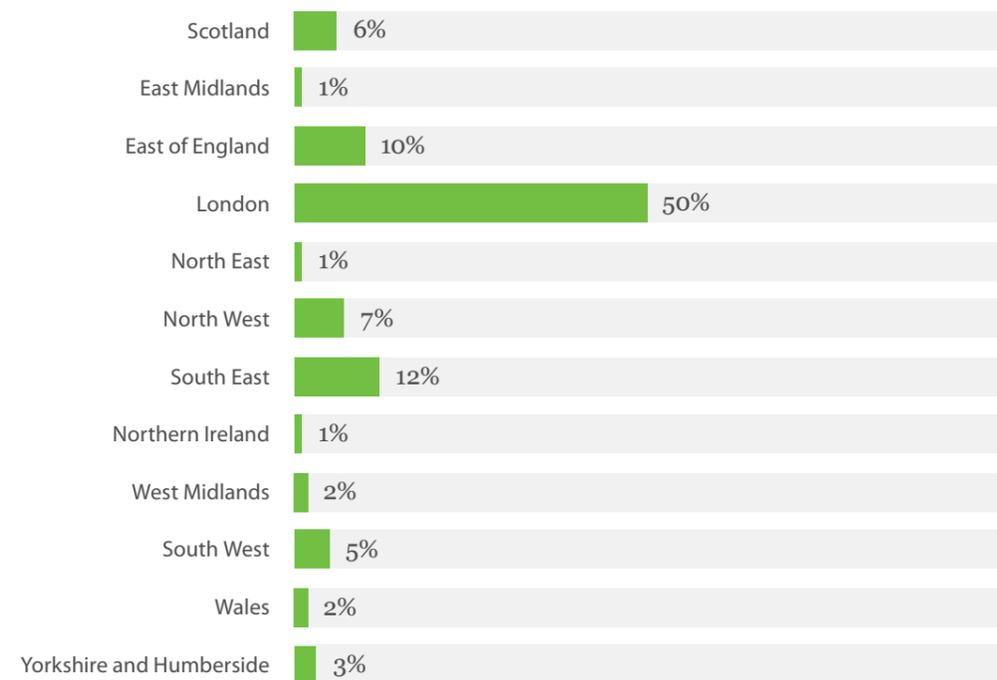
YEAR ON YEAR

Equity and venture debt funding by unlisted UK companies in amounts of £2 million to £25 million.

2017 heralded 653 transactions and £3.95 billion raised – another record.

This is a big, high volume market that has grown every year since 2011.

LONDON, NORTH & EAST ENGLAND REMAIN CRUCIAL TO THE MARKET



REGIONS

2017 private company investments from £2m – 25m, by number of fundraisings.

Location based on headquarters of the company.

Figures sourced from Beauhurst 2017 data



What is driving the success?

The remarkable story of growth in the private market is in many ways a straightforward one. A story of success breeding success in both the side of the company and the investment community.

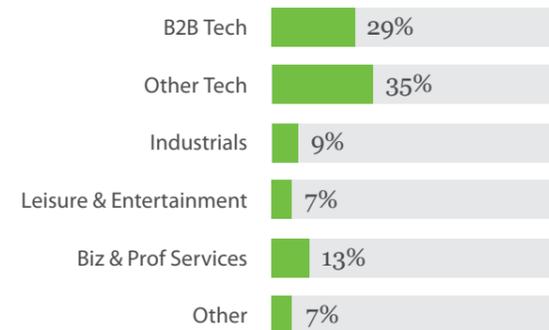
The technology sector continues its dominance of overall private investment market. The latest data shows no evidence of a slowdown. Institutional investment in various forms continues to dominate the majority of growth capital activity.

Not just ARM and ASOS; beyond the mega deals many, many companies have achieved 5x and 10x returns for investors and founders alike. This has fuelled further confidence amongst institutional investors. UK private companies is now an extremely attractive asset class.



Grant Bergman,
Investment Director, finnCap

TECHNOLOGY SECTOR CONTINUES TO THRIVE

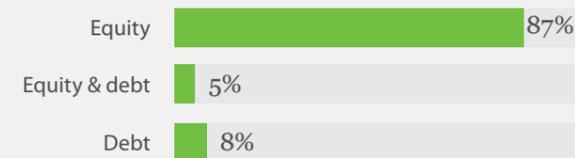


TECHNOLOGY SECTOR

2017 private company investments from £2m – 25m, by number of fundraisings.

These figures hold for 2017 YTD – the market is consistent and predictable.

EQUITY VS DEBT



DEBT / GROWTH

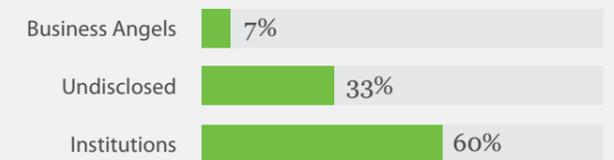
2017 private company investments from £2m – 25m, by number of fundraisings.

Debt that is included in this analysis is mezzanine debt, convertible debt, debt provided by angel networks or venture capital firms.

Vanilla loans from high street lenders, most P2P lenders and individuals are excluded.

Debt is a significant part of the overall growth capital market.

MOST GROWTH CAPITAL ACTIVITY IS INSTITUTIONAL



GROWTH CAPITAL

2017 private company investments from £2m – 25m, by number of fundraisings

In the institutions category we have included funds, companies, crowdfunding platforms and investor clubs with investment professionals involved

Figures sourced from Beauhurst 2017 data

Beyond 2018:

The changing face of business

Private investment is not simply increasing. The whole character of the UK private market is shifting and technology as at the heart of the change.

Demand for ethical investment projects has broadened into widespread demand for projects with longer term positive social impact. Opportunities for closer partnerships between investors and social projects appear to be increasing in line with the rising trend.

This trend is partly driven by shifts in entrepreneurial and investor behaviour.

We started our business to genuinely make an impact for good in the world. When we evaluate opportunities for growth it is essential that we link up with partners who understand and share our vision. We expect all our partners to look beyond simple short term financial measures.



Owner of technology business with revenue of £15 million

Technology projects across social housing, infrastructure, education, regulation, renewable energy along with behaviour change projects in health and money management are thriving right across the UK. This will continue and become an increasingly significant theme throughout 2018.

The positive impact of these partnerships exist beyond the immediate intended public goal of the initiative. These projects are opening up supply chains to new entrants, boosting M&A activity and stimulating the attention of investors to new and longer term opportunities.

This is a market led by people's choices. People are choosing to do something that makes a difference – not necessarily to the world, but to themselves. And the more honest and true that is the more successful those businesses become. Slowly the investor community is coming alongside that.



Faisal Rahman OBE,
Founder, Fair Finance

PRIVATE EQUITY INVESTS IN AFFORDABLE HOUSING

The world's largest real estate private equity investor, Blackstone, has decided to invest in the UK affordable housing sector working closely with 'for-profit' housing association, Sage, as their investment vehicle.

The strategy will be to secure stock from private developers via their section 106 planning requirements. Blackstone is reported to be targeting a net yield of 5% for their investors.

REDUCING COMPLEXITY THROUGH TECHNOLOGY

MRI Software, a global leader in real estate software solutions has announced a deal with Savills plc, the global real estate services provider, to provide web-based resident management and accounting solutions to manage private rented sector (PRS) developments across the UK.

The new technology provides the ability to reduce complexity and streamline operations by operating a single, integrated software platform that will enable Savills to access a global ecosystem of over 100 technology partners to help solve problems with technology in real time.

Increased investment into the fast-growing UK private rented sector is boosting demand for new software. This in turn is driving M&A and investment in the UK technology sector such as MRI's recent acquisition of Qube Global Software.



About **ExplainTheMarket**

ExplainTheMarket is proud to be one of the most trusted and reliable economic research agencies.

Our analytical expertise is based on over 20 years leading market analysis for some of the world's biggest companies. Research expertise is based on leading some of the largest and most complex projects ever done in both qualitative and quantitative research.

Our CEO is a Market Research Society Awards Finalist. The ExplainTheMarket team is headquartered in London and also operates from our global hub in New York.

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About **finnCap Private**

finnCap Private advise, promote and provide access to capital for ambitious growth companies.

We have a wealth of expertise across the investment landscape enabling us to create and shape the marketplace for investors and private companies to come together.

We are the UK's only full-service single advisor for ambitious, scaling companies seeking impartial, no-nonsense advice on how to grow. Our process at finnCap Private is designed to ensure companies only meet investors that are engaged with their story, fully funded and are ready to act.

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