finnCap

AMBITIONNATION

Female Leaders Series
Edition: 2

Contents

Sam Smith, CEO, finnCap

Introduction

Since we met last, things seem to be on the up for our SMEs and high growth companies. Over the course of the summer months since the previous finnCap Ambition Nation: Female Leaders Series event, I'm happy to report a few new steps in the right direction.

For one, we're seeing some great progress in support of the scale-up community. The ScaleUp Institute has since reported that the number of scale-ups (those companies who have increased their turnover and/or employee numbers annually by more than 20 per cent over a three-year period) has increased by nearly 12 per cent. The combined revenues of this slice of the UK PLC pie amounts to almost £1 trillion, coupled with the creation of 3.5 million jobs.

It is from this group of companies from some of the fastest growing sectors that we find a high proportion – nearly 20 per cent – of majority female-led businesses. However, the level of investment in female-led companies remains dismally low.

We know there is considerable value here that lies untapped. The Women's Business Council recently reported that if women in the UK set up businesses at the same rate as men, an extra million entrepreneurs would be contributing to a £60 billion boost to GDP by the end of the next decade.

With the Ambition Nation: Female Leaders Series we aim to change things by offering the chance for ambitious female leaders to learn from the experiences of their peers, create better networks for each other, demystify the financial jargon and find out what really makes a compelling business case to invest in.

The theme of the last issue was *Think Big, Be Bigger,* helping female entrepreneurs aiming to grow faster and who aspire to be bigger.

This event's theme is *Mind the Gap*. We take an in-depth look at possible funding options, what the different rounds of financing mean in real terms and gaining the confidence to understand those options without being interfered with by jargon, and the challenges faced by both investors and founders in finding the right match for each other.

Finding the right investment for a business is one of the biggest hurdles facing founders today. Ambition Nation is creating a nationwide community and a dialogue between fellow entrepreneurs, ensuring that an ambitious founder is paired with the right investor – the one that believes in your story and is excited to embark on your growth journey with you.

At finnCap we're creating growth for UK PLC, advising our most ambitious SMEs, helping them access capital, and promoting their investment stories. Today, we're going to make a few more.

Foreward

Sandi Toksvig OBE,
broadcaster, writer, actor, comedian and founder of the Women's Equality Party

I recently delivered the annual Adam Smith lecture in Kirkcaldy, Fife. It was the first time a woman had been trusted to give this economics lecture all by herself. As a marvellous bagpiper led the way, it struck me that this might be my glass cliff moment. Because, let's face it, I wasn't an obvious choice for such a task. But with men now making up two-thirds of economics students, all but one of the Nobel prize winners for economics having been a man and every single British chancellor of the exchequer somehow having been required to be a boy, then finding a woman might have been tricky.

By happy coincidence, I chose as the subject of my lecture women's exclusion from the formal economy. Or as I like to call it, our grossly undervalued domestic product (GUDP). Never, as it happens, has this been more relevant than now, as the full horror of the gender pay gap is revealed. I have so enjoyed watching the debate unfold. Highlights include accusing women of conflating pay discrimination with the gender pay gap – silly women! – though nobody benefits more from this apparent "confusion" than the companies evading legal action.

Better still are those bemoaning the lack of explanatory data, while dogmatically concluding that the gender pay gap has nothing to do with discrimination in hiring or promotion decisions. And my absolute favourite – let's not forget the pro-choicers. These are the three women on this planet whose privilege and adoration of unfettered capitalism leads them to infer that women simply choose to work for less, and guarantees them a slot on every talk show "in the interest of balance".

But the pay gap isn't the choice of women. It is both a cause and consequence of gender inequality. In many respects it is more important than pay discrimination because it shines a light on the deep structural inequalities in every part of our society and economy.

Our lives are still rigidly divided into economic and social, productive and reproductive, paid and unpaid. One half always has more value than the other. The result is that the redistribution of wealth in this country, and globally, is too often from the poorest women to the richest men. Eight men to be precise. Eight white men now own the same wealth as the 3.6 billion people who make up the poorest half of the world's population. And it is women who are disproportionately represented in the poorest half of humanity.

Yet this situation doesn't benefit your average man any more than it does the average woman. So if, like Adam Smith, you are a fan of self-interest then you should know that women's equality is better for everyone. The fact is, more equal societies do better on just about every available metric: mental health, general health, crime rate, education and so on.

Mr Smith, the father of modern economics, lived with his mother, Margaret Douglas, until she died. It was her invisible hand, her GUDP, that left him free to write his great works. I think it is now time to honour her contribution too.

Solve a problem

Erica Young, Director, Anthemis

What's it really like, being an investor?

Oftentimes, they concern themselves less about crunching the numbers and more about hearing and co-creating good stories. And a good story is crucial to bridging the funding gap, creating a foundation for growth in the earlier stages from which to expedite your finance journey.

Erica Young, Director of early-stage investor Anthemis, explains how and why it is so important to create that emotional connection.

"I don't spend much time behind a desk," says Erica Young. "My typical day is spent reading or meeting with new entrepreneurs – people that are excited to tell you about their journey. I have the pleasure of hearing their stories. I get to have a deep and meaningful conversation about what that person cares about and why."

"It's never too early to start that conversation."

A willingness to help

Anthemis is in early-stage investor focused on financial technology. One of Anthemis' key investment focuses is the theme of 'financial wellness', which looks at how financial services businesses and products intersect with individuals' financial, physical and emotional wellbeing. It is through this lens that Erica highlights how the often intimidating image of investors must be rethought in order to create more growth for ambitious companies.

The underlying fact, Erica says, is that investors are fellow humans, too. Despite the image, they do tend to come from a place of wanting to help and enable good people with great ideas.

> "It's never too early to start that conversation"

An entrepreneur in her own right, Erica has a background in design and trained as an industrial designer. She made the switch to the opposite side of the negotiating table, having worked in product development for 15 years where she found she was spending more time than she felt necessary on creating things than dealing with people.

"There comes a point where you think there's enough stuff in the world and you probably don't need to create more. I wanted to take my design and people skills and apply them in a more conceptual and impactful way."

"They do tend to come from a place of wanting to help others."

The experienced founder

Anthemis was borne out of the emerging prominence of 'embedded finance', a transition happening in the financial services industry, where we see financial services embedded in all sorts of places one might not necessarily expect, from warehousing, solar energy, farming to health technology. To give an analogy, embedded finance is not dissimilar from the development of the IT industry. The 'computer' as a product was once a vertical. But now, with computers in your phone, your car, perhaps even your fridge, what used to be a vertical is a horizontal.

What's interesting is that this paradigm means Erica and her team typically encounter a type of entrepreneur we have perhaps become less familiar with of late – the experienced founder. Entrepreneurs in this space tend to have a longstanding financial services industry background. Years, often decades,

of experience mean they've seen the critical problems first-hand from the inside.

> *"What these entrepreneurs often have in common is that they cared about and regularly experienced a problem."*

"But they will look at what a 'typical' founder these days tends to be projected as – a 25-year-old white male with a hoody – and they think 'well, that's not me; I shouldn't be a founder.' This is a myth we're trying to dispel. There are definitely some we come across that are naturally entrepreneurial in spirit, but there are others to whom the idea of founding a company happens to a different group of people, not them.

"Often, we're the first institutional investor that an entrepreneur will encounter and we say it's never too early to start that conversation.

"Crucially, what these entrepreneurs all have in common is that they cared about and regularly experienced a problem. Moreover they cannot imagine a world without their solution. It is the problem-solving that drives them. Indeed, an obvious red flag to us when we consider an investment case is when we're presented with a technology that is a solution looking for a problem."

Maintaining alignment

So what tends to hold entrepreneurs back? Erica explains that one of the biggest challenges to a business that's getting going is for the founders to maintain their alignment.

"You might meet two co-founders that are carbon copies of each other. It can signal a lack of awareness or that the company isn't quite prepared for the risks they will encounter. What you need are different, complementary skillsets, and an alignment of purpose."

But for those that do have something to show, the work from there is collaborative and exciting. Erica's team brainstorm ideas about how the business model can work, helping a founding team to take things up a gear. The teams perform due diligence, deep dive both the consumer need and the technology, in order to gauge both the commercial viability but also the need from an emotional standpoint, an element of the investment story that is just as important.

> *"You need different, complementary skillsets, and an alignment of purpose."*

To exemplify the point, Erica singles out New York-based company Kindur, which looks at the decumulation of assets as people age and they need to transfer their wealth to the next generation.

"Kindur's founder is Rhian Horgan, an industry veteran who accelerated her business because she has an inherent understanding of the problem; she's done her research and found what the consumer needs from both a rational and from an emotional standpoint. She also has a great ability to rally her team around her."

> *"Connect emotionally."*

Closing the gender gap

A more empathetic approach to creating one's business story is also something that Erica sees as a reason for the level of investment in female-led companies improving, though the figures are still low.

"In my personal experience, I've been the entrepreneur presenting to an investor and I have been asked 'and what are you doing here?' They thought I was in the room to take notes.

"Then on the other hand, if a woman presents herself as confident in that same scenario, she's often perceived from the other side of the table as bossy or aggressive. That is still happening and there needs to be better education on all sides in order to close that gap."

A different way to do debt

Sonia Powar,
Co-CEO, Boost & Co

"We exist in a market where there are very few options to find debt to fuel your growth plans as an SME," says Sonia Powar, Partner at Boost & Co. "That's why, about six years ago we set up a fund specifically to help SMEs, to give them the option to use debt-based finance for growth."

It was following the financial crash that a growth vacuum began to form amongst Britain's SMEs. With very limited capital to dish out, banks were not lending to small businesses, which were seen as high risk.

Regulatory capital was a large factor. With higher risk lending, the amount of regulatory capital the bank must hold increases. So for instance, for every pound lent to an SME the bank might need to have as much as 80p as regulatory capital; for a larger, more mature firm that might be more in the region of 20p per pound lent.

"The options for SME business owners were that they could go to a bank and only borrow a tiny amount if at all – in order for it to be low risk for the bank – or go to equity investors and give a chunk of your business away," explains Sonia.

"It is a debt facility – but we'll take a small amount of equity for it"

"At Boost, we decided on a different way of doing things. We lend you the money – so it is a debt facility – but we'll take a small amount of equity for it which makes us more aligned with you and the shareholders. That middle-of-the-road structure means we're lending to businesses and can take more risk than the banks, but in exchange for that extra risk we're taking out an equity warrant to balance it out."

"Show you can create enough cash flow to service that debt"

"From the founder's perspective, either you can go to an equity investor who will take a stake in your business and when you are small this inevitably ends up being a meaningful one and so you are giving away a large amount of future upside. The investor may also want to put somebody on the board and will ask that you at least double their investment in five years. What we ask is that you show you can create enough growth and cash flow to service that debt and pay that back. Provided you can show you're able to do that, we'll only take a fraction of the equity in comparison, as little as 1-5 % in many cases."

Prove the business model

This particular business model means that Boost & Co specifically hunts for fast-growing businesses in innovative sectors – the 'disruptors' that want to bring about more dynamic changes. Perhaps unsurprisingly, then, around half of Boost's portfolio is in tech.

"A low growth rate and low gross margin is a red flag"

As long as those firms can demonstrate that they can generate a cash flow that can service the debt, they are encouraged to use the money to scale their businesses: e.g. making an acquisition, opening an office, expanding the sales team, widening geography or investing in capex; all are great options for scaling. And it's companies that find themselves at this point in their growth journey, no earlier, that are what Sonia would consider 'investment ready'.

"Because of the way the product is, investment ready means companies with a proven business model that are scaling up," she explains. "A proven business model can means different things depending on the sectors and business.

"For some it's good revenue or the quality of customers they've won, for others it might be the type of contract they've been able to negotiate, such as a good retainer, or being able to show a good gross margin, that tells you the value of the product in the context of its marketplace. A low gross margin is a red flag. Another point is to have a realistic, believable P&L; we'll work with businesses that aren't turning a profit, if they can feasibly show how they can reach profitability."

"Companies should be very articulate about proving their capabilities"

A common trait amongst founders that Sonia encounters is that they are high on energy and confidence. They also have a dedicated team that they work with – they are never a one-man-band. But what really sets them apart when they show up at Boost's doors is a fundamental understanding of risk and the ability to communicate that understanding. Indeed, this is one reason why having a Finance Director on the team is a crucial consideration from Sonia's side of the table.

More of the same vs something different

"The most successful founders we come across know clearly what they've achieved so far and can show that they understand how that underpins their future growth. As investors we look at the elements that are 'more of the same' and those that are different. Those two factors have different risk profiles.

"A fundamental understanding of risk and the ability to communicate that understanding"

"The stuff you do well – the 'more of the same' – carries less risk so you can quite easily raise debt to fund that part of your growth. You would use equity to fund the new stuff. We'd look at your business model and if we're confident that you've proven yourself in everything you've achieved thus far – e.g. by winning more customers – then we're comfortable funding your future plans.

"The point is that companies should be very articulate about proving their capabilities. The more you can frame your story in that dynamic, the better the investor will understand your risk profile."

Nothing is ever risk-free; it is only incumbent upon the savvy entrepreneur to understand where the risks lie, what they're doing to mitigate it, or in the case where mitigation isn't an option, an awareness of it and a proven ability to respond to potential problems.

The final piece of advice Sonia offers is one of timeliness – do not leave your fundraising plans till the last minute.

"You're much better off raising money when you don't need it," she says. "If you have, say, a six-month window to play with, you're growing your business in the strongest possible circumstances."

Getting investment ready

Flor Kassai, Partner Inflexion

What does 'investment ready' mean to you?

Generally, any assessment of the 'investment readiness' of a business has as much to do with the approach and ethos of a management team as it does with its sector, size or type of transaction. Inflexion invests in high growth, entrepreneurial businesses – I focus on Business Services, which covers most B2B businesses – with ambitious management teams and works with them to deliver growth – the majority of our investments are characterised by high revenue growth, strong EBITDA margins, high cash conversion. Our family of funds allows us to invest in a wide range of companies, from small to very large, and from minority investments to majority stakes. We typically put to work between £10m to £200m of equity, in companies valued between £20m-£1bn.

What is the mindset of the leadership, and the typical point in their growth journey, when they come to your door?

In terms of mindset, we back management teams who think BIG. We're very ambitious ourselves so we typically find that there is some form of mutual self-selection with firms who are equally as ambitious; they partner with Inflexion to support them achieve that potential. We see our role not just as an investor, but as an enabler of growth.

Today, cash alone is a commodity. Inflexion provides a wide array of support, which enables clients to move and grow much faster, such as for international expansion, digital transformation, M&A and talent management. This comes at no additional cost so it's a significant value-add to the businesses we back. We've found this type of support makes an appreciable difference in results: on average, our portfolio companies grow revenue and profits by 20 per cent per annum, or more, while employee numbers double.

What do the best founders and CEOs, from an investor's perspective, tend to have in common?

We find managers that have built their business to a certain size tend to have big ambition, but that isn't all. The most successful of these appreciate how to deliver through others. They have a healthy recognition that they cannot always do it all alone. Bringing in external help – be it a new management team member or a supportive investor – catapults them. They are not afraid to hire people with capabilities superior to theirs and surround themselves with great talent.

What is a typical 'red flag' that you look for, and what advice would you give to a company that doesn't quite appear investment ready?

Understanding the motivation of owners who are taking material cash out of the business at the time we are looking to invest is very important. Aligning interests is important and having owners retain a meaningful ongoing stake in the business also speaks loudly.

Getting the finance function and MIS to the point that it can be shared with a potential investor is also important. We invest in young businesses where processes may not yet be fully developed and we help them in this regard. But there is a floor that a business needs to meet in terms of financial readiness to secure an external investor.

My advice is to get a seasoned CFO to help prepare the company for external investment, and especially to drive the investment process. Any sensible investor will undertake due diligence, so showing that you speak that language, that your house is in order, that you're on top of your KPIs and key management information is critical.

What's a typical day like for you, and what gets you up in the morning?

The best advice I ever received was to pick a career which inspires you. In deciding to get out of bed in the morning, it helps to love what you do.

For me, there is a sense of accomplishment at each step of the investment process – identifying a great business below the radar, helping a management team crack a challenging strategy, floating a business after a successful partnership. It's all a great motivator.

I try to start my day with some exercise like yoga, which I find helps me keep me centred. The day at the office tends to be packed: meetings with advisors who introduce us to deal opportunities, meetings with management teams of potential investments, board meetings, supporting our portfolio companies or working closely within the Inflexion team.

I define success more widely than my job. I see myself as a private equity professional, but also as a mother, as a wife – and I should say that it helps having a very supportive partner with whom to share the job of keeping the ship right – as a friend, a daughter, and as Flor. This helps to ground me.

What do you see in the ambitious women entrepreneurs that are successful?

The successful women entrepreneurs I have come across have several things in common: they tend not to take 'no' for an answer; they set a goal and they go for it; they're highly resilient, never allowing themselves to give in, but to become stronger and wiser.

They don't take to heart the labels which tend to accompany women in business, nor do they think about themselves as being different – they are comfortable with who they've chosen to be and for this reason, they tend to be quite genuine.

They're also high-energy – to succeed as a woman entrepreneur and balance the other tasks often asked of us, especially if we choose to have children, you do need a LOT of energy. Good planning is also critical to fit a lot of activities into a day, but they are some of the most productive individuals you will come across.

How important is a network like Ambition Nation?

Effective networks tend to be formed around common interests. We're not all the same, but have a lot in common.

Figuring things out on your own isn't just lonely, it's inefficient and doesn't always get the best outcome. But there are generally people out there living the same experience or who may have the answer already! Leveraging our experiences is always more successful and generally more fun.

Lesley Gregory,
Chairman, Memery Crystal

A lawyers' view to accessing funding

Lesley Gregory is Chairman at Memery Crystal, one of the UK's leading law firms specialising in entrepreneurialism, private funding, capital markets, corporate finance and M&A. Having embarked on a journey of significant growth itself Memery Crystal can relate to key decisions a business should make to succeed including how to bridge any funding gap. Being conversant in all the various funding options, and how they play out, ensures their clients can make the right decisions quickly and with confidence.

Memery Crystal is well connected with both start up and scale up entrepreneurs and institutional investors and venture capital funds. Through their networks they regularly make introductions for clients and contacts, ensuring the right funding option is matched to the right investor.

Here, Lesley gives her perspective on the legal challenges that come with growing your business and seeking investment.

What does the term 'investment ready' mean to you?

Investment ready can mean different things to different audiences. As lawyers, the key areas we need to make sure are in place for businesses pre-investment are ensuring the corporate structure is in place and all shares are correctly held and issued to founders etc., that all IP is protected as far as possible and owned by the company, and all key contracts have been reviewed and are legally watertight. The composition of the Board is also key to ensure the company has the right skills in place for its stage of growth.

What does an investment ready founder look like?

Firstly, investment ready founders have secured their key team for the company's next stage of growth. In doing so, they acknowledge that they cannot carry out all roles themselves and have listened to advice from mentors who have had similar experiences of building a business in a similar sector. For female entrepreneurs a mentor can be a critical success factor in the journey to becoming investment ready – it doesn't matter if they are a man or a woman. They should also have generally proven their product, to the extent that it is at least developed to pilot stage with customers or achieved some modest sales in a market with underlying growth factors indicating long-term future growth.

What are the typical needs of founders you encounter?

The key challenges are around finding and retaining talent, accessing current and new markets, and securing the right finance for growth. Ensuring that the company infrastructure is growing at the same rate as company requirements is also critical for sustainable high growth. Most importantly, ensuring you have the right leadership team in place with the right skills, will support the growth plans you want to achieve.

What legal advice do you typically offer a scaling company founder?

Before undertaking any type of investment it is important to have a clear understanding of the level of control a founder is willing to relinquish; this is directly linked to the required level of investment. Valuation is often key and founders generally have a fixed idea of how much of the company they wish to sell to third party investors.

In my view, however, founders get too hung up on the idea of retaining as much equity as possible. Ultimately, it is better to have a smaller stake in a larger, more valuable business than retain most of the shares and stifle growth.

I also advise taking the right investor – don't just take any money offered. Often, the right strategic investor, with deeper pockets and good industry connections, can make all the difference, even if the valuation isn't quite what the founder anticipated.

It is also worth not underestimating the importance of chemistry. You do need a 'fit' and as a woman this can be vital to the success of your ongoing relationship with your chosen investor. I would recommend going with your gut feel: mostly you know within the first five minutes if they are the right 'fit' for you and your business.

What is a signal that a founder might not be ready to embark on their growth plans?

Making a fully informed decision is crucial, so trying to undertake a funding decision within a short timeframe can be problematic. Both internal and external factors impact the potential growth of a business and a very thorough and considered approach needs to be taken.

There are of course certain issues that are outside management's control – the current state of the market, for example, which can have a detrimental effect on success.

Equally, internal issues such as an underdeveloped product, problems amongst employees for example, can also mean that sometimes it's better to take a step back and wait before pushing ahead with funding and growth plans.

How do you see the legal profession playing a role in entrepreneur support networks like Ambition Nation?

When you are on a funding journey, to make the right decision for your firm, it is paramount that you utilise your personal and business networks to full effect. Support networks provide an excellent forum for entrepreneurs to exchange information and ideas. Women's networks in particular can be fantastic environments to ask questions within a non-judgemental and supportive environment. It is so important that legal professionals are involved in these networks so that founders can access the best legal advice.

If a business doesn't have the correct legal structure in place at an early stage, it really can be the difference between success and failure as a business grows. We at Memery Crystal spend considerable time building networks and hosting events which benefit entrepreneurs. And our particular focus is very much on female-led businesses. We always want to hear from female entrepreneurs!

MemeryCrystal

Stages of funding – a brief guide

A funding journey begins with an acknowledgement to undertake an investment, followed by due diligence on the options available.

The typical stages in an investment cycle include seed, early, series A, mezzanine finance and ultimately an exit.

1. Seed finance (friends/family, angel investment, crowd funding) – Seed finance is useful when requiring external funding to boost your business. This tends to come via informal networks such as friends and family, angel investment and crowd funding.

2. Early stage investment (family offices, business angels, accelerators, crowd funding) – Early stage investment is typically sought for a fast-growing product. Family offices, business angels, accelerators or crowd funding would be relevant options to pursue at this stage of a business' lifecycle.

3. Scale-up (first round venture capital, family office investment) – As the product or service gains traction and more investment is required, the need to scale-up becomes critical. At this stage, a first round of venture capital or family office investment is recommended.

4. Equity vs debt or mezzanine financing – At the next stage, the options become wider. Clear business objectives will dictate whether further equity investment, a mezzanine finance (debt and equity) product, or straight debt is required to support the business better. There are positives and negatives to equity versus debt financing; it comes down to a number of variables and these do tend to differ from business to business.

The reason for pursuing a debt-only investment is that raising debt is less complicated:

- it does not dilute the owners' interest in the company
- the lender has no direct claim on the future profits of the business
- there is a fixed amount to re-pay which is relatively easy to budget for
- it is a tax-efficient investment as interest on loans is tax deductible.

But, there are negatives:

- debt has to be repaid – interest rates increase the risk of insolvency
- highly-leveraged companies find it difficult to grow as there is a high cost of servicing debt
- there is a restrictive pressure on cash flow.

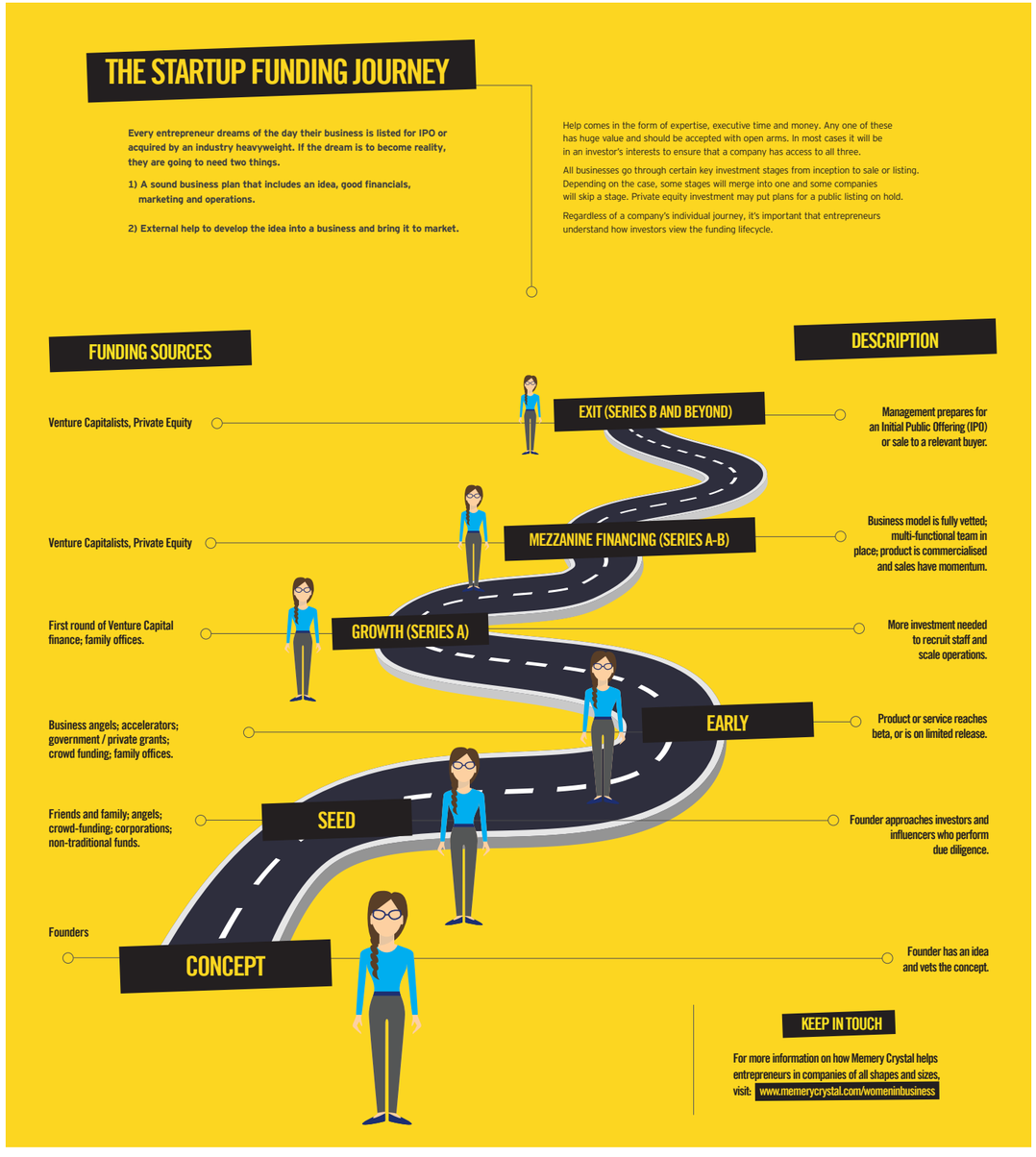
Debt is usually secured on the assets of the company and/or by personal guarantees from the founders. The legal advice around taking on debt normally focuses on the covenants in the debt instruments, the effect of breaching these covenants and the nature of the security required by the lenders.

The advantages of pursuing further equity investment include:

- bringing in a strategic trade or financial partner that can help the business grow
- equity investment can be more creative and flexible, offering options for the business
- if the business fails, there is no money to pay back.

However, with equity investment, the loss of control can feel significant. The trade-off between financial gains versus the loss of control is often a big consideration for founders. That said, the reality is that investors will generally only interfere with management decisions if the business is not progressing in accordance with its plans.

The best piece of advice I can give is to have defined business objectives. A clear sense of the type of exit strategy you wish to pursue will, to some extent, dictate which funding option to pursue to fulfil those objectives.



MemeryCrystal

A word in private

Grant Bergman,
Corporate Finance Director, finnCap Private

The private fundraising market is booming – we saw record levels of investments in exciting, scaling companies last year.

We want to keep driving that movement here; to that end we've developed a process that means that by the time our clients walk through an investor's doors both client and investor alike couldn't be better prepared.

How we do that is essentially by applying a public market-style process to the private equity arena. The finnCap Private Division has worked quite closely with VCs to come up with a process that is much more focused, more efficient and provides a lot more transparency for the private fundraising market.

What that means in real terms is that we're never wasting anyone's time.

"There's already an ecosystem around us to get the client to the point they need to be"

The start of our journey

As an entrepreneur myself, I know how daunting it is before you meet these investors. As it happened, I was always pleasantly surprised to find the person sitting on the other side of the desk was just like me. They're entrepreneurial, energetic, and they just want to meet good companies and like-minded people; they're very down-to-earth and human.

But, of course, you want to show that obvious confidence as you walk in. When our client gets in front of an investor, we already know that client fits their remit.

"We apply a public market-style process to the private equity arena"

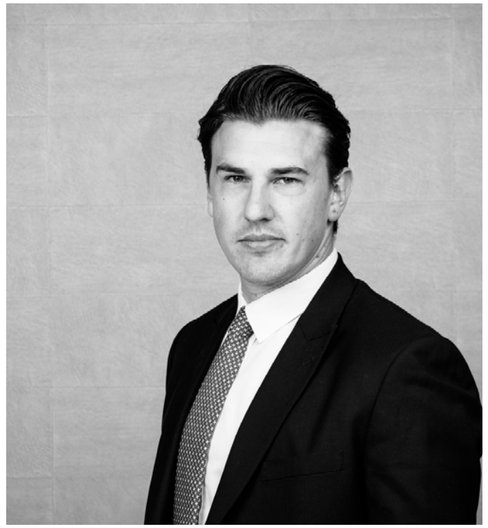
And vice versa from the investor's perspective. They will have seen a lot of the material upfront and know the work we've already done to get to that point: we work closely with commercial partners, lawyers and accountants on behalf of our clients; we help our clients to prepare collateral, such as working on their presentation or reviewing their financial model; we check and double-check that everything stacks up from a financial perspective.

So, in other words, there's already an ecosystem around us to get the client to the point they need to be. And that's just the starting point of what we hope will be a long lasting relationship.

"We're by our clients' sides at every step of their journey"

What we look for

We use our personal knowledge to consider everything from the investor's point of view, where we know that they'd be willing look at the case in point and take meetings.



Generally, a company that comes to finnCap Private is an established business that will have a number of employees already in place. They'll have a good track record and will be ready to accept funding and scrutiny from an investment house.

'Established', in the majority of cases, means that the company has historic revenues of at least £1 million and demonstrates strong growth potential going forward.

Our clients typically seek something in the region of £2 million - £25 million in funding, though we can certainly look upwards of that figure; we have a couple of larger transactions on right now, for example.

We are lucky enough to be able to leverage the largest small cap sales and broking team in the UK, which needless to say translates into an extensive list of contacts.

In fact, we have a few clients at the moment where I can genuinely see them building the next mega-tech platform; the opportunity and the market they're addressing is enormous. Obviously I don't want to jinx them, but if they deliver on all their aspirations, there's no reason they couldn't reach unicorn status.

"The private fundraising market is booming"

Good signals and red flags

What I'd class as a strong, capable, investable founder is someone that is excited about their business and can speak about it at length and with passion. We like to back someone that has a track record themselves, perhaps that has successfully delivered an exit or has scaled a business, and surrounded themselves with a good team – i.e. a good advisory board.

An obvious red flag, meanwhile, is a great idea a founder hasn't managed to commercialise yet, so the revenues aren't quite there. This can be compounded when previous rounds of funding have been raised at toppy valuations. In such cases, from a finnCap perspective we'll always point them in the right direction as ultimately, for us, it's a relationship building process.

"The finnCap Private Division has worked quite closely with VCs"

Another red flag is a long list of investors that are already on board, which can be off-putting or even present a conflict of interest for VCs. This can result from crowdfunding. Don't get me wrong, crowdfunding can be useful for certain businesses, but you still have to be careful who you're affiliated with and the resultant valuations that come from such funding rounds.

In any case, we'll make sure you're in the best shape for a private investor. We're here to help great companies grow; that's the passion that drives us at finnCap Private. It's not simply the fundraising; we're by our clients' sides at every step of their journey, all the way through to an eventual exit.

finnCap

She's got the look

Polly McMaster, CEO, The Fold

Polly McMaster is the founder and CEO of The Fold, a contemporary new fashion label that embraces the modern, professional woman, going by the ethos that being serious about one's work doesn't have to be mutually exclusive with a passion for fashion. Polly comes from a background in consulting and finance, an industry where she wondered why a stylish look did not always align with one's daily needs.

It is an air of confidence as you enter into that important investor meeting that is so intrinsically linked with one's outward appearance, so what are those key traits that tend to catch the investor's eye?

As a founder talking to investors, there are a few things that I've found them always to look at.

The first is very much about me as a founder and CEO – investors need to see me as the vision, the heart and indeed the motivation of the company. Essentially, they need to believe that I am capable of leading the brand into the future.

The other fundamental factor they'll study closely is the scale of the opportunity – in other words, how we are going to execute a growth plan in this market?

It's a mix of them being able to realise a long-term vision, passion and dedication in you, coupled with seeing your strong grasp of the economics and operations of the business and the sector.

With that, they'll also want to see your ability to attract and foster talent, and rally a strong team.

My staff and I work very closely; on any given day I might be here with the team going through trade reports, doing planning meetings, or sometimes working by myself on sign offs or business development. I also try to go to our Chelsea store once a week, to see our product and team in the retail environment or have a meeting with a new contact or press.

In order to be motivational to your team as well as bring suppliers, customers and investors on your journey with you, I feel one has to over-index in areas like inner drive, confidence, resilience, optimism and energy.

The network you build is also very important. Everything we've achieved has had something to do with building a network across customers, suppliers and investors and I think more peer-to-peer support initiatives like Ambition Nation are vital in this respect.

I worked very hard to build a strong network in a new industry and continue to do so every day. Meeting other women across sectors and roles has all been part of the inspiration for our brand. And it sustains itself; I've had many an exciting day doing a talk or press meeting – such as a TV interview or being on a panel – where I have the pleasure of meeting some amazing business women.

Personally, I love the days when we shoot our product campaigns. It's our chance to conclude all the hard work of a season and really appreciate the journey we've made from the first sketches to the final beautiful image.

Q&A

with Polly McMaster

Given that you started in finance and moved into creating professional women's fashion, what was it about the professional woman's fashion needs that felt was lacking in your experience, and how that compared with the situation for men?

I was genuinely the customer of The Fold – a professional woman in a high-flying career, struggling to piece together a work wardrobe that I actually liked and felt stylish and confident in. When most of the men in the room (and most in the room are men) are wearing bespoke suits, you need to be on a par sartorially to hold your own. Working women have money to spend on clothes and rightly high demands for quality and style, but little time to shop – I felt that by paying real attention to her needs we could offer her something more considered and special.

The offering for work wear felt like it was bottom of the agenda for other brands and I wanted to put the working woman in the spotlight. You are wearing your work clothes for 60-70 hours per week, these should be the best clothes in your wardrobe! Your work clothes have a huge impact on your confidence when you are at work, so I wanted our customer to be able to reach for a Fold dress in the morning, enjoy getting dressed, feel like she can conquer the world – and then go do it.

How did you find the start of your growth journey – what were your experiences of the first investor meetings and how did you ensure success?

I learned pretty quickly that it takes a boat load of resilience to start a business – nothing comes easily - you have to build everything from the ground up. The first years were the hardest when you are trying to achieve your vision with vastly limited resources – so you have to be creative, passionate, motivated and pick yourself up and keep on going!

At the time, did you have the impression that as a female founder there was more of an uphill battle in this regard?

This wasn't the impression for me – I was very much focused on The Fold's journey. I was fortunate to find an investment company who believed in me as a Founder and saw the potential for The Fold. Our Chairman is male and is The Fold's greatest advocate and brand ambassador.

Investment in female led businesses is still extremely low – The Fold hosts regular networking events bringing together the highest achieving women in business. Given these insights you are regularly privy to, how can that funding gap close further? What still needs to change?

More open conversations between women in business is crucial in growing the number of female founders and CEOs. Networking events like Ambition Nation and female-only members' clubs like The Allbright are fundamental in enabling women to share their own experiences, contacts and advice. Its invaluable to sit down with someone else who is further along the journey that you; how did they find funding – what do their investors want to see from them… Support networks for women enable frank and honest conversations around the role of CEO/ Founder and make it more transparent.

As you move forward, how does meeting with inspiring women inspire further development of the brand?

Everything we've achieved has had something to do with building a network. Across customers, suppliers, investors, team. I worked very hard to build a strong network in a new industry to make that happen and continue to do so every day. Meeting other women across sectors and roles has all been part of the inspiration for our brand.

Find those people that are your future self

Joanna Santinon, Partner, EY

Joanna Santinon has a unique perspective on being investable: as a graduate of law and UK&I Tax Partner at EY, she has a rare insight on billion-pound business deals from one of the world's largest accountancy firms. She leads the Entrepreneur Of The Year programme at EY. Added to that, she is passionate about her role in the EY Women's Network, driving diversity and inclusion within the company. Joanna also works with the famed 30% Club, which supports Chairmen and organisations committed to achieving 30% female representation on FTSE boards.

Few would argue that having the right people around you is crucial to growing one's company, but the wealth of insight that Joanna is privy to each and every day really brings home why the right people are far more important than many may realise to getting one's house in order for growth, especially for female entrepreneurs.

Being ready for investment is very stage-dependent. From the outset you have investment from friends and family, then angel investment, seed investment, then you start getting into the territory of seed financing and after that, venture capital, private equity and beyond. As you move up through the various stages, there's always a scaling hurdle you need to jump, say when the company hits 40 employees, 100 employees, 200 employees and so on.

The scaling issue that comes with that journey is often about how the individual is able to delegate.

As a founder you want to be someone that can transition in the earlier stages from working IN the business, to working ON the business. You need to be someone that shows themselves to be able to manage bringing a strategic overview to the business, rather than someone more concerned with detailed implementation.

Strategic overview then really becomes a question of how much of a people person you are, which manifests in your ability to bring the right people on – how you recruit, how you develop them, how you retain them and how you succession plan.

The recruitment plan is crucial: you want to be taking on people that reflect what you want your company to eventually be, people with a mindset that is steps ahead of where you are now.

From a private equity perspective, this is critical. When you talk to a private investor, you realise people invest in good management more than good businesses. Just the other day, an investor told me they were specifically on the lookout for simply great entrepreneurs – in other words, people that display their ability, but might not have found the right business idea yet.

This is being investable; you can have a brilliant idea, but without the right management team, nobody will invest in you. There are scant ideas good enough for that to happen.

From my experience working on the Entrepreneur Of The Year programme at EY, sometimes we do see businesspeople that have that rare ability to take a company right through from ground level to a

£500-million business. But it's not often and it's hard for entrepreneurs to know when the right time to step back from their business is.

Getting the people piece right at an early stage is one of the hardest things to do, ensuring you have exactly the right people around you. But if you don't, things can unravel quickly.

Entrepreneurs can outsource financing and all sorts of other things, but the people around you in key roles have to be people that you get on with, people that you trust, people that share your vision and your passion. You cannot hang on to people that aren't on the same page as you. They must share your values, and have that vision to get you where you want to be.

And here's the rub – from my experiences with the 30% Club and the Women's Network at EY, it's abundantly clear that it's especially hard to get that support for female entrepreneurs. Why? Because female leaders that have done it well and can share their experiences are not always visible.

Ask an 18-year-old girl to name a female entrepreneur they recognise and they struggle – that visibility isn't really there – it's hard to want to be a thing that you can't see. Of course, that's not 100% true, but unfortunately there aren't many successful female entrepreneurs, either in public industries or who are scaling.

It's a very similar situation in the corporate boardroom and the executive pipeline. We're subconsciously programmed to recruit in our own image – so white men will potentially continue to recruit and promote white men – it's an unconscious bias that can result in company boards having just one type of person in those key roles.

Around 2011, there was about 12% of women on FTSE 100 boards. Now it's just shy of 30%. So the boards have changed; what is not changing fast enough is the executive pipeline. Today, less than 10% of executive board members of the FTSE 100 are female.

If you were talking to a group of, say, 21-year-old women or even 30-year-old women in the early stages of the corporate pipeline, and you said to them "Look ahead. How do you see your chances of becoming a part of your company board?"

Then, you flip that around: "Let's say that 70-80% of the board of your business is female. How do you see your chances now?" I've found that offering that alternative outlook has a dramatic effect on the understanding of the issue by both men and women

Nobody is intentionally disadvantaging people, but female entrepreneurs and corporate career women alike need to be able to look upwards in business and believe they can be part of the success and aspire to it.

For this reason, I think forums like Ambition Nation make a massive difference. Some of the young female entrepreneurs that I mentor are genuinely unaware of any other female entrepreneurs and leading businesswomen. To have that opportunity to meet other people that have been through similar experiences – that can show them how to recruit and scale with confidence – is hugely inspiring.

EY Building a better working world

Bronwyn Corbett,
CEO, Grit

A vision for growth

Bronwyn Corbett, CEO, Grit

"We are proud to bring our vision of Africa to Europe"

Since its launch in 2014, Grit Real estate income group has managed to attract a greater number of investors and partners, with a winning strategy. Following its introduction to the Stock Exchange of Mauritius, and the Johannesburg Stock Exchange, Grit have reached new heights by becoming the first Mauritian based company to be registered on the main board of the London Stock Exchange. The CEO and co-founder Bronwyn Corbett reveals the strengths that make Grit a trusted and indispensable partner in the real estate industry.

You were told that your ambitions were too high – that 'Africa is too complex' to crack – how did you take this news and what was your determination to prove them wrong? What did you feel you could see that the naysayer could not?

The world is slowly realizing that Africa is not a country, and regional as well as country differentiation is increasingly becoming important. The euphoria around the continent's growth potential that existed pre the global financial crisis has made way for a much more moderate approach, especially as countries and regions have gone through several economic cycles since then. This has certainly tested the mettle and business case of many investments and we have seen the market pricing for this accordingly. Consensus from international investors seeking yield and total returns is that Africa undeniably offers the best pockets for growth compared to other frontier or emerging markets across the globe. At Grit, we are proud to bring our vision and passion for Africa to Europe.

You succeeded in part because of your team - you recruited for 'people with passion' – can you expand on this thinking, give us a brief overview of your strategy here? What was your ultimate goal and long-term vision with your recruitment strategy?

Grit has currently 46 permanent employees. The success of our group relies on a unique combination of strong experience. They are the definition of true grit. Our company employs today more than 20 Mauritian nationals, with a diverse range of skill-sets in finance, real estate, legal and communications. What we are also exceptionally proud of is the number of females in senior positions. Our company culture is based on four pillars: talented people, constant performance, relationships and portfolio strength. We encourage each team member to master their knowledge, to be empowered and to become master of their role.

Your brand philosophy is never take 'no' for an answer – can you briefly expand on this sentiment?

They say never forget where you came from, and this still drives me every single day. When you come from humble beginnings, you can either blame this for lack of success or you can use it to your advantage. I worked and studied at the same time. I was privileged enough to start working at accounting firm BDO directly after leaving school and took a student loan to pay for my studies. Working hard is something I grew up with, though. You can say it runs in the family, with my mother and grandmother being exceptionally resilient. My work ethic has definitely been shaped by my mother's example and the fact that she consistently pushed me to break boundaries.

You have occupied the positions of CFO, CIO and CEO over the course of your career – How have you found this varied experience helps you in your growth journey?

I qualified as a Chartered Accountant, and my first introduction to property was in assisting a real estate company that had not submitted tax and VAT returns for almost 20 years with an audit reconstructing of their records. During the almost two years I spent in a basement reconstructing these records, I fell in love with property. I later joined what would become Delta Property Fund Limited, one of the first specialist real estate funds to list on the JSE, where I served as Chief Financial Officer and Chief Operating Officer. Together with Delta CEO Sandile Nomvete, I founded Delta International Property Fund, that later became Mara Delta Property Holdings and last year rebranded to Grit Real Estate Income Group as we started with our ambitious journey to list on the London Stock Exchange.

Prior to listing, can you give us a brief description of your growth journey – the various funding rounds and how the business grew as a result?

Grit has paid eight consecutive distributions in line with our market guidance and going forward we are targeting a distribution yield of 8.5% and a total return of 12%. Our lease profile is only of the longest in the industry, with the average lease period across the portfolio of 7 years and a 97.2% occupancy rate. It should also be noted that our distributions are paid in US$, that makes the share an ideal currency hedge. South African investors are also taxed on foreign dividends, which is a much lower rate than what is generally taxed on SA-listed real estate investment trusts. We also plan on growing the portfolio further, with acquisitions earmarked in Ghana and expansion opportunities in Senegal also on the cards.

Why did you take the decision to list on the JSE and SEM?

We have always had bold plans and high ambitions. Our listing on the JSE, the SEM and now in the UK is the culmination of lots and lots of hours of negotiation, sweat, tears and support from staff, shareholders, family and friends the world over. It's a combined effort and we see it not as the end-goal but rather as the beginning! Grit has grown and evolved, but our ethos of building on the Africa real estate growth story has remained the same. The LSE listing provides us with a unique platform to continue with what we are good at – grow our portfolio of high-quality assets, partner with blue-chip international companies on their corporate accommodation needs on the continent and provide our shareholders with a growing, attractive return on their investment. International investors are now forced to look at alternative investments in Africa because their funds are not performing up to expectations. Given Grit's pipeline of assets, its property portfolio could easily grow to $3 billion in the next two or three years.

Why did you then take the decision to list on the LSE – what does this offer the business that other public markets do not?

Our listing on the main market of the London Stock Exchange represents a step-change in the business that will position the company for significant growth and exposure. The capital raised from the LSE Listing will enable our entry into new African territories and consolidate our presence in existing jurisdictions. It will also improve the depth and diversity of our shareholder base as well as improve the liquidity of the stock, resulting in the inclusion in varied indexes specifically the FTSE Frontier Index and MSCI Frontier Index. We are proud to bring our passion and vision of Africa to London. Grit launched in July 2014 and is the largest pan-African listed real estate company offering investors direct exposure to attractive and sustainable hard currency income streams underpinned by prime real estate assets and long leases to blue-chip international and national tenants. Our focus is on selected African countries with solid fundamentals and high-growth opportunities. We currently operate in seven countries on the continent, including Morocco, Mozambique, Zambia, Mauritius, Kenya, Botswana and Ghana. As a result, Grit is agnostic as far as real estate asset classes are concerned and evaluate risk based on tenant strength in addition to country and property fundamentals such as the economic growth rate, location and nodal development. This means that we will acquire and hold assets across the spectrum, including commercial offices, retail centres, corporate accommodation, hospitality, light industrial warehousing and logistics centres, provided that it ticks the boxes from a fundamental perspective (right node, right quality, right price, etc), and that a long lease with a reputable international tenant is in place.

> "for anyone to back you, you must first back yourself"

Can you please describe the process of listing – What were the major challenges, emotionally and in a business sense?

Having the world to understand the African continent, to understand what is happening in Africa was quite a big task. For us to be able to demonstrate this and to get the interest from the UK institutional market and, also now, having the London listing has been for me, personally an unbelievable experience: it has been something that really defines myself as an individual who, I believe, reflects the brand. We have been able to work as a team and, all the sacrifices, all the pressure which come with ultimate success demonstrated the true grit. There is an African saying, that it takes a village to raise a child. Grit is the combined effort of so many people in so many ways. From personal support from my husband, family and friends during all the times that I'm selling Grit to international investors, to my colleagues at the office pulling late nights and early mornings to achieve what we have to date. I have also learned that for anyone to back you, you first must back yourself and passionately believe and work towards achieving your vision.

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Memery Crystal is a specialist international law firm, based in London. Our firm is recognised as one of the UK's leading law firms in our specialist areas: corporate, real estate, commercial, media and technology, dispute resolution and employment. We are commercially aware, entrepreneurial in spirit, international in outlook and pragmatic in approach.

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EY Building a better working world

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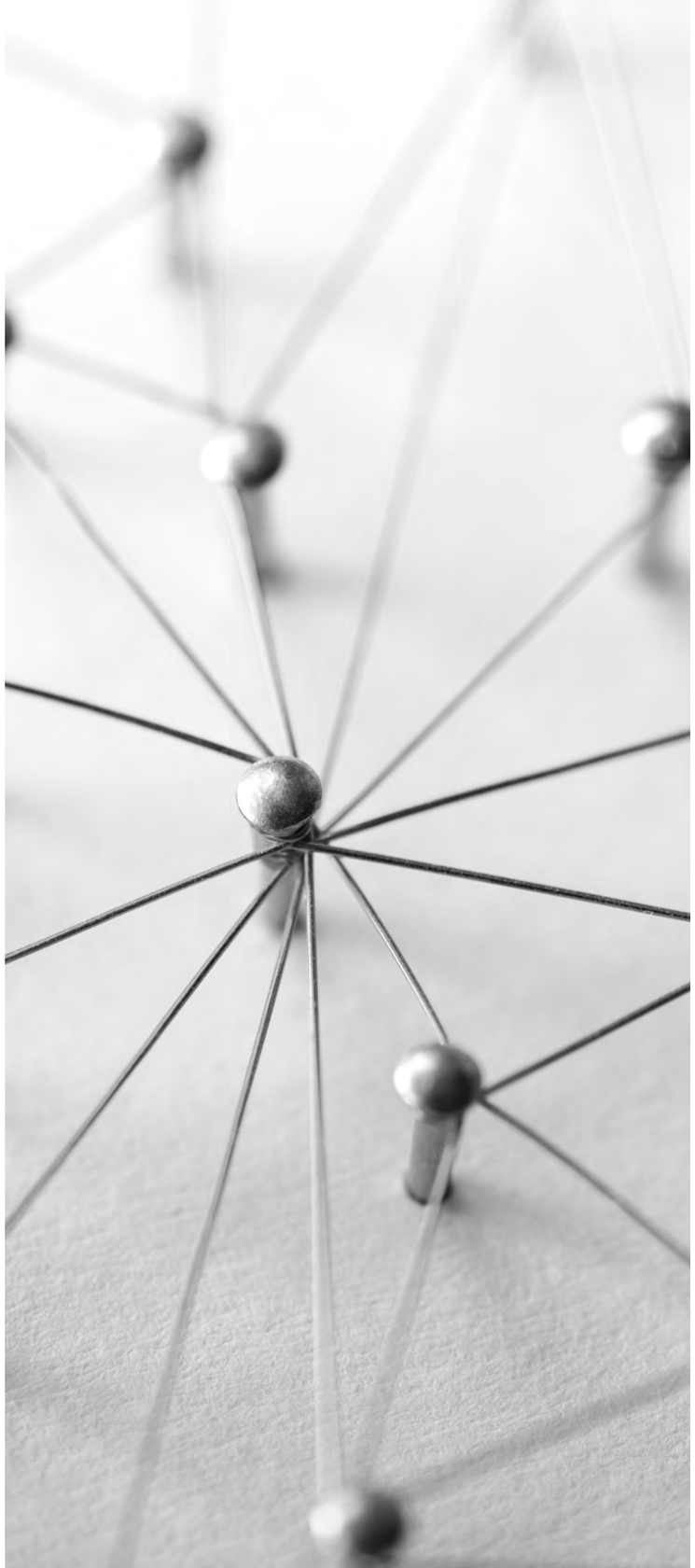

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finnCap advises ambitious growth companies, accesses capital and promotes their stories. Using our wide range of expertise across multiple sectors, we shape your company and products into an effective investment story. As a modern entrepreneurial business we fuel faster growth, build value and are trusted to deliver success for businesses at every stage of their journey. Through delivering certainty we inspire confidence, energy and the determination to grow. We believe this is the reason we are the largest advisor to ambitious growth companies and No. 1 broker on AIM.

Keep in touch

To share your stories of growth or to find out how finnCap can help create the next step in your growth journey, contact us on:

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