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SIGNIFICANT MILESTONES

STEPHEN WELTON

It has been a busy start to 2012. In the first month of the year we announced two more investments. It is a good beginning, in what continues to be an uncertain economic environment.

Our systems and processes are now established, but there is clearly much to do as we scale up our activity.

Our recent investments included our first co-investment, demonstrating our ability to combine effectively with others to expand the level of investment in UK smaller companies. We were very excited to join Amadeus and Van den Ende & Deitmers as the first external investors in groundbreaking social media platform, Unruly Media. This is a great company operating in one of the world's fastest growing sectors.

At £10m, our investment in GCI, a midlands based telecoms and data services provider is BGF's largest deal to date. Wayne Martin, GCI's CEO had never considered an equity investor before; he wasn't really looking for funding before we began talking. We were able to show him that with a combination of our capital and our support we could enable his business to grow both faster and bigger. He is ambitious and he sees in BGF an active and experienced partner.

With our previous investments in Benefex, a small, fast growing software company and Statesman Travel, an investment to fund growth through acquisition, I am also encouraged by the spread of investments we have made already, and the variety of circumstances in which we are relevant.



Stephen Welton
CEO

But all these companies share some important things in common: first and foremost highly talented and ambitious management teams, a strong vision with a business model to match, and a proven ability to make money. They also share some of the reasons they came to BGF. They all wanted a partner that would help them to continue to grow their business. They did not want to cede control, but they did want a long term commitment and more than just money. That is what BGF offers. I am really proud of the platform we have built in the past six months right across the UK. And I am proud of the hard work we have undertaken to get BGF established in the marketplace. Success, however, will only be judged over the long term. The good news is that the immediate pipeline looks strong, and we are seeing more new companies every week. We hope we can start repaying some of the faith that many of you have put in us. ■

2012: Now is the time for businesses to invest

Clearly economic conditions continue to be challenging; but we need companies to be considering their opportunities and focusing on what they can influence. Lack of investment cannot be a long-term strategy for a successful growing business. It can only lead to decline.

In recent months SMEs have become the strongest depositors with the high street banks. It is understandable that even successful businesses don't want to take on larger amounts of debt in uncertain times. However, this conservatism underpins a basic lack of confidence, which will prove uncompetitive in the longer term.

Our message to the businesses that we are meeting is that now is a great time to invest. And now is a great time to think about an equity investor and partner. History shows that many truly great companies were founded and grown by investing during a downturn. If you wait until tomorrow, your competitors either here, or from overseas, may have got there first. Standing still is not a strategy for success.

The question that BGF will be addressing in 2012 is how best we can find, encourage and support ambitious business owners and help them to envisage what they could do with new capital and our support.

Collaboration and partnership is the key to encouraging more entrepreneurs

As a growth capital investor, we need to draw a distinction with the venture and seed capital providers. We are not geared up to invest in start-ups with their specific risk profile and the very high level of input that they often require. However we are actively seeking to direct them to appropriate sources. For example, we strongly believe that private or angel investors are best suited to promote early stage investment given the combination of their risk appetite, available tax incentives and ability to make quick, personal investment decisions. We are demonstrating our commitment and support for the angel community by becoming a significant sponsor of the British Business Angels Association. We look forward to working closely with the BBAA, and its network members over the forthcoming months.

We see a finance much more as a spectrum than as a one-size-fits-all approach. For many smaller early stage businesses, angels represent the most effective way to raise capital. The angel community is strong, the funding is quick to raise and tax policy is encouraging it still further. The BGF steps in at the next level where millions of pounds are needed, specifically in the £2m-£10m range. BGF can "turbo charge" fast growing companies. We want to help today's small companies become tomorrow's champions. Partnership is integral to the way BGF operates and as such we are keen to partner with venture capital trusts and angel investors, as well as with private equity investors at the larger end of the market where the funding requirement is bigger. This will be one of the areas offocus for BGF in 2012.

Our First Four Investments



- £4.2 million of growth capital invested in this Southampton-based software provider
- Benefex expanding rapidly with 50% turnover year on year - turnover approaching £10m in 2012
- A small, but fast growing, knowledge based business

“It was critical for us to find the right partner. BGF shared our enthusiasm and ambition and offered more than just money. Its advice, guidance and contacts will be invaluable”

Benefex CEO, Matt Waller



- £4.25 million of growth capital invested in this independent travel management company
- A story of growth – sales have increased 50% in four years, headcount from 40 to 75 under management team
- Statesman’s acquisition of Commodore makes it one of top ten UK travel management companies – revenues approaching £100m

“BGF has a compelling offering that will enable us to take our business to the next level”

Statesman MD, Mervyn Williamson



- £4m investment, as part of a £15m round
- Very fast growing social video distribution company. Delivers high profile social video campaigns for global brands
- The funding will strengthen European market leadership position, expand already successful US business and establish a footprint in Asia

“Five year’s ago we set out to help brands capture the massive opportunity in social video and we’re delighted that such a distinguished group of investors share our conviction.”

Unruly CEO, Scott Button



- £10m investment in Midlands based telecoms and data service provider
- One of the UK’s fastest growing managed communication providers with 68% CAGR over last two years
- BGF investment will support organic growth and an active acquisition strategy
- An off market deal directly sourced by BGF’s Birmingham based team

“BGF’s offer made good business sense. BGF’s injection of capital and objective operational experience will help to consolidate the progress we have made and continue our active acquisition programme”

GCI Founder and CEO, Wayne Martin

GET IN TOUCH



Business Growth Fund has been established to help Britain's fast growing smaller and medium sized businesses. Growth potential is the key criteria. BGF will invest between £2m and £10m per business in return for a minimum 10 per cent equity stake and a seat on the board for a BGF director. BGF has £2.5bn to make long-term equity investments in many growing companies across the UK that today do not have access to this source of capital.

BGF is an independent company, backed by five of the UK's main banking groups – Barclays, HSBC, Lloyds, RBS and Standard Chartered. BGF also works closely with other key business organisations.

BGF has specifically been set up on a local basis to be close to the businesses we invest in. If you want to understand more or talk about how we might support your business or your clients please get in touch. ■

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The BGF is one of a range of initiatives designed to forge a new relationship between the banking sector and UK businesses, and BGF works in close collaboration with the British Bankers' Association as well as other key business organisations and government across the UK. BGF is authorised and regulated by the Financial Services Authority.