CITY A.M.
BUSINESS WITH PERSONALITY
ISSUE 2,359 TUESDAY 21 APRIL 2015 cityam.com

Queen grants 141 firms a lucrative business award

BY CHRIS PAPADOPOULLOS

DOZENS of British firms are in line for a Queen's enterprise award today to recognise their achievements in international trade, innovation and sustainable development.

The award can provide a massive boost to ambitious firms with robust growth targets. One winner last year was EnergyNet, which organises a global portfolio of investment conferences focusing on the power and industrial sectors across Africa.

Managing director Simon Gosling told City A.M. how he set the firm the target of winning the award when he took over the reins four years ago – back then there were three employees, now there are 22.

"In our business – where we look at the impact of power generation on economic development on job creation in Africa – we can say actually, from the work that we've been doing, we were recognised by the Prime Minister and Her Majesty. That tweaked a lot of interest and people took us an awful lot more seriously," he said.

"In terms of increasing our value proposition, the purpose of our business and people thinking we're something more than just a conference company doing things for the sake of making money, this was a real recognition that they could buy into."

The award also helped Gosling to attract the best talent. "When we were recruiting, it was something that really differentiated us so now we've actually used it. It's enabled us to recruit far better than we could two years ago."

The Queen greets guests at a Buckingham Palace reception held for last year's winners

> It is the highest accolade a company can receive in the UK

On the list of this year's winners was lighting company Original BTC – one of City A.M./Mishcon de Reya's Leap 100 companies. The Leap 100 list is a select group of high growth UK businesses.

"Winning a Queen's Award is a huge honour for the entire team – it's the highest accolade a company can receive in the UK. We've worked hard to produce high quality, well-designed, globally competitive lighting to show how successful British design and manufacturing can be," said the company's founder Peter Bowles, who recently had a visit from Prime Minister David Cameron.

This year there is a total of 141 business winners: 105 for international trade, 24 for innovation and 12 for sustainable development. Of those 21 are based in the capital.

SOME OF THIS YEAR'S LONDON WINNERS

AVANTI

Avanti connects people wherever they are – in their homes, businesses, in government and on mobiles. Through the HYLAS satellite fleet and more than 150 partners in 118 countries, the network provides ubiquitous internet service to 27 per cent of the world's population.

- Avanti employs a workforce of 200 people – 73 of whom are multi-lingual – from 32 different countries speaking a total of 27 languages.
- The company is listed on London's Alternative Investment Market (Aim).
- Avanti headquarters are in London, but it has significant operations in Cornwall, Cyprus, Germany and the US.

WINE & SPIRIT EDUCATION TRUST

WSET is an educational body that runs run wine and spirit based courses throughout the world. It is headquartered in London but its courses are available in 18 languages, across 60 countries. Every sommelier or wine expert worth their salt will have one of its qualifications, and it also target courses at keen consumers too.

- WSET was founded in 1969. Last academic year 56,215 people worldwide sat for an internationally recognised WSET qualification.
- In the past decade the proportion of candidates taking their qualifications outside the UK has grown from 37 per cent to over 75 per cent. Candidate numbers also have quadrupled in that time.

WHAT ARE THE QUEEN'S ENTERPRISE AWARDS?

Announced each year on 21 April – the Queen's birthday – they have been in place in one form or another since 1966, and now comprise of three awards for companies and one for individuals. In choosing the winners of the prize, the Queen is advised by the Prime Minister, who is assisted by an advisory committee including the government, industry and commerce, and trade unions. Successful organisations may fly the Queen's Award flag at their principal premises and are entitled to use the emblem on their stationery, advertising and goods. A corporate award is valid for five years. Additionally, the Queen hosts a reception at Buckingham Palace for representatives of the winning companies.

IN BRIEF

Accounting firms to merge

Simmons Gainsford announced a merger with fellow British firm Newman and Peters yesterday. Simmons Gainsford is based in the UK but also operates internationally, with locations in East Asia, Russia, Gibraltar, and Ireland. The nearly 20-year-old Newman and Peters operates in London. Steven Strauss, a Simmons Gainsford senior partner, believes the joining of the two groups is a natural fit for his company's strategic progression. "The merger is part of the ongoing development of the firm and will help consolidate the continuing opportunities we have been seeing over the past 12 months," he said.

Hasbro not playing around

Toymaker Hasbro reported yesterday that its strong brands and healthy licensing department launched the company to significant first quarter gains. Revenue for the international merchant of brands like Transformers and My Little Pony was up five per cent to $715.5m (£478.53m) for the first quarter ending 29 March, compared to the same period last year. The popularity of Marvel superhero toys helped increase revenue by 10 per cent in the boys category. The games category, with brands like Monopoly, and the preschool category, with Play-Doh, also made revenue gains of seven per cent and 22 per cent respectively.

Chinese banks foil housing policy

China's drumroll of policy support for its flagging housing market has met an unlikely foe: banks. Beijing has tried to revive a flagging housing market as it looks to avoid an economic slowdown, but banks are increasingly worried about bad debts and are not passing on policy steps like interest rate cuts and lower downpayment requirements to home buyers. On Sunday, the central bank cut the reserve requirement ratio (RRR) for banks by 100 basis points – the biggest cut since the global financial crisis – following data that showed annual economic growth slowed to a six-year low of 7.0 per cent and that property investment remained weak.

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THE LEAP 100

MISHCON THE LEAP

City A.M. has teamed up with Mishcon de Reya and other expert partners to identify 100 of the most exciting, fast-growing firms in the UK. They operate at a range of scales and across many sectors, but all are in the process of making the leap to the next level in terms of revenue. We will track the challenges and hopes of this brave and economically vital group, sharing the collective portrait that emerges on this monthly page and at **cityam.com/leap-100**

IN PARTNERSHIP WITH ten THE ENTREPRENEURS NETWORK · THE SUPPER CLUB

The Leap 100 have fallen out of love with British banks

THE NARRATIVE of growing businesses struggling to find finance is familiar: post-crash, banks won't lend and cash for expansion can be difficult to access. On the face of it, the experiences of The Leap 100 give the lie to this simplistic tale: 64 per cent say that they haven't found it difficult to access sufficient funding to finance their growth.

But this isn't the full story. Many of The Leap 100 do feel that banks have caused problems for small, growing companies – if not for them personally. While 27 per cent said that their bank has become more willing to lend over the past three years, 41 per cent said that it has not.

Over half believe that banks simply aren't cut out for lending to high-growth businesses. Answers criticised inefficiency, lack of competition within the sector, an unwillingness to understand what fast-growth businesses need, legacy systems, and staff that are inflexible and unhelpful. One respondent summed up some shared concerns around banks' inability to adapt for fast-growth firms: "the fact we are 'fast growth' dictates something new, innovative and unique. The banks struggle with this as often it doesn't fit within a typical 'business sector' (retail, manufacturing etc). They are more comfortable with traditional businesses... they do not understand IP or emerging technologies, and don't know where to put them."

For many in The Leap 100, the services and products banks have to offer just aren't appropriate for their business – over a quarter of respondents have not sought funding from their bank over the past three years.

Capturing the views expressed by several others, one respondent said: "We have relied on the Enterprise Investment Scheme to raise investment. We use our bank for day-to-day transactions in the same way we use BT for phones or the internet. It's a utility but I would not seek any kind of help or advice from a bank. I don't see banks as having much expertise, to be honest. Certainly not in my sector."

Some companies, particularly those with more traditional models, still find banks invaluable in accessing credit, and others in The Leap 100 lauded their banks' attempts to improve services for SMEs – via training and networking events, for example. But Giles Brook of Bear Nibbles says that, despite having received some good support from banks, the products offered aren't always cost effective or flexible.

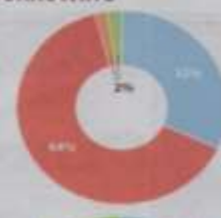
It's important that banks "look at other instruments including convertible debt and equity, or else they are irrelevant to high-growth companies," says Ruzbeh Bacha of City Falcon. He argues that debt financing "doesn't work for high-growth companies". Nearly 30 per cent of The Leap 100 agree that UK businesses are overly fixated on debt financing to fund growth. Jeff Lynn of Seedrs pointed out that equity is a more suitable funding route for fast-growth firms.

A small number heralded peer-to-peer lending and crowdfunding as the way forward for growing businesses. Simon Norris, founder and director of Perbcopix, said: "my preference would be to go to someone other than a bank if we needed funding and the amount wasn't huge (i.e. crowdfunding/peer-to-peer)".

THE LEAP 100 ON BORROWING

Have you struggled to access sufficient funding to finance the growth of your business?

- YES
- NO
- DON'T KNOW
- NONE OF THE ABOVE



Has your bank become noticeably more willing to lend to your business over the past three years?

- YES
- NO
- DON'T KNOW
- I HAVE NOT SOUGHT BANK FINANCING OVER THE PAST THREE YEARS

Are UK businesses overly fixated on debt financing to fund their growth?

- YES
- NO
- DON'T KNOW
- NONE OF THE ABOVE

Would you consider crowdfunding to finance the growth of your company?

- YES
- NO
- I HAVE ALREADY USED CROWDFUNDING
- DON'T KNOW
- NONE OF THE ABOVE

TOP RESPONSES

" In the UK, the only viable routes for capital remain angel and institutional investors and, more recently, crowdfunding

Nish Kukadia chief executive SecretSales

" High-growth companies never seem to tick the boxes put in place by many banks, which require years of trading history or rely on out of date statutory accounts to make lending decisions

Danvers Baillieu chief operating officer Privax

LEAP COMPANY SPOTLIGHT

Original BTC

A designer and manufacturer of lights for both the retail and contract markets, the company has three lighting brands under its name – Original BTC, Davey Lighting and Bradlight. With six production facilities, it's able to manufacture most elements of its lights. "Our growth plans are to build on new and existing exports around the world," says managing director Peter Bowles. In its second year of the Fast Track 100, and having recently won a Queen's Award, the firm is itching to expand. "It's very rare companies stand still for long. You either go forwards or backwards – and we definitely want to go forwards." With a week to go before the General Election, however, Bowles is feeling "apprehensive". "It's a worry for all businesses, and both the uncertainty and increased taxation on companies is nothing but bad news if a Conservative government isn't re-elected in some form." Without a Tory-led government, he adds, the UK "could easily see a retrenchment of [its] companies taking place".

Europe is green with envy at our vibrant markets for equity finance

NADIM MEER

MONEY might not actually make the world go round, but much of what we take for granted is built upon a hefty pile of it. And without people willing to take a bet on the future – investing in the next generation of entrepreneurs – the pace of growth would slow dramatically.

Furthermore, recent changes in equity finance mean that opportunities for investment are now being made available to a broader group of people.

UK equity finance sits somewhere between the US and the rest of Europe. We may envy the private equity cash sloshing around Silicon Valley, but the City ensures access to a level of finance that turns our neighbours in Europe equally green with envy.

There are plenty of reasons for the UK's success but, as the election nears, two deserve special mention. The Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS) have been extraordinarily successful in supporting entrepreneurs. While many sound policies suffer from unintended consequences – certain types of share incentive plans arguably fit into this category – EIS and SEIS have been real drivers of new sources of funding for early stage and growth companies, and are now global gold standards. Whoever enters power next week would be well advised to maintain EIS and SEIS.

The next government should also be wary of any interventions that stymie the rise of crowdfunding – one of a number of important sources of finance that have sprung up since the crash to fill the void left as traditional sources dried up. While other forms of finance still dwarf it, research by Nesta last year revealed that equity-based crowdfunding had reached £84m, up 201 per cent year-on-year. We are leading Europe in our adoption of this new model. Crowdfunding turns the world of equity finance upside down, and it's living up to the hype.

Equity-based crowdfunding does not lend itself to every type of raise. Reward-based crowdfunding – whereby "investors" are given a reward rather than equity – may be more appropriate for some. And just consider trying to pitch to the crowd for new funds for a manufacturing component.

Entrepreneurs considering raising through the crowd should also be aware that, though a successful raise is proof that there is belief in your business, you can't call upon the crowd to guide you in the same way as you might an experienced, active investor. The crowd may deliver the cash, but the right equity partner can open doors.

There has never been a better time to start a business in the UK, and our vibrant equity markets are proof of this. Dynamic competition is driving new deals and raising standards. The challenge for venture and private equity investors and crowdfunders alike remains finding the right companies to back. But that's par for the course: good investments will always be in high demand.

Nadim Meer is a private equity partner at Mishcon de Reya.