



**ATTRACTING A  
GROWTH INVESTOR**

**YCF Annual Conference 2018**



# Background to BGF – Funding for Growth

**£2.5 billion** independent investment company providing long term patient capital



**£1.4 billion** invested across **200** companies

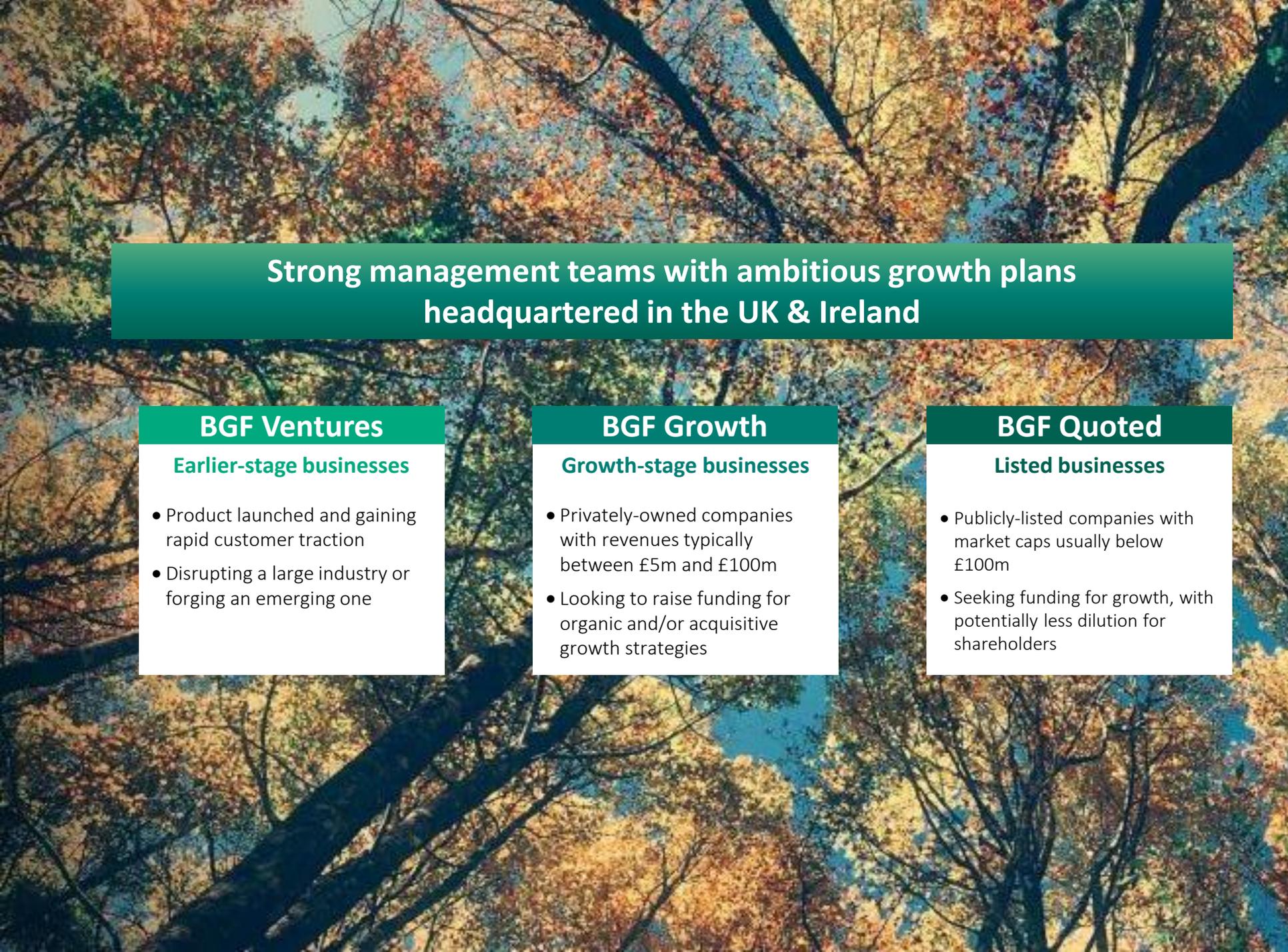
**Number 1** most active growth investor in the world

**£350m** follow-on funding provided to portfolio companies

Investing in strong and ambitious management teams across all sectors

**13** BGF offices throughout UK and Ireland

**Minority Investor - investing £2m - £10m+ for growth and equity release**



## Strong management teams with ambitious growth plans headquartered in the UK & Ireland

### **BGF Ventures**

#### **Earlier-stage businesses**

- Product launched and gaining rapid customer traction
- Disrupting a large industry or forging an emerging one

### **BGF Growth**

#### **Growth-stage businesses**

- Privately-owned companies with revenues typically between £5m and £100m
- Looking to raise funding for organic and/or acquisitive growth strategies

### **BGF Quoted**

#### **Listed businesses**

- Publicly-listed companies with market caps usually below £100m
- Seeking funding for growth, with potentially less dilution for shareholders

# What does a Growth Investor look for?

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## Clear strategy and business plan

- + Present a coherent growth plan e.g. roll-out plan, acquisition, new customers – be realistic
- + Historic performance can be an indicator of future performance
- + To generate a 2 – 3x return, profits usually double

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## Strong management team

- + Quality and track record of the team
- + Are there any gaps? Is management willing to learn and be challenged?
- + Role of a non-executive

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## Market opportunity

- + Does the business operate in a sector with high barriers to entry
- + What is the market outlook?
- + What does the competition look like?

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## Exit and alignment

- + As a minority investor, are we aligned with the management team and shareholders?
- + Do the shareholders want to sell now?
- + What are the potential exit routes?

# What doesn't work for a Growth Investor?

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## Poor alignment of interests

- + Management must want to work with an investor – it's a partnership
- + Do management want to accelerate its plans and grow?
- + Shareholders/ Management looking to sell now should sell

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## Unproven concept with no pipeline

- + Concept must be proven for BGF i.e. no start-ups or very early stage businesses
- + Must be clear traction and demand for the offering/ pipeline
- + Be aware that things can cost more and take longer!

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## Lack of key management/ Leadership

- + Who is the CEO/ leader of the business?
- + What is the team structure? Is there accountability and focus?
- + Is there a strong culture?

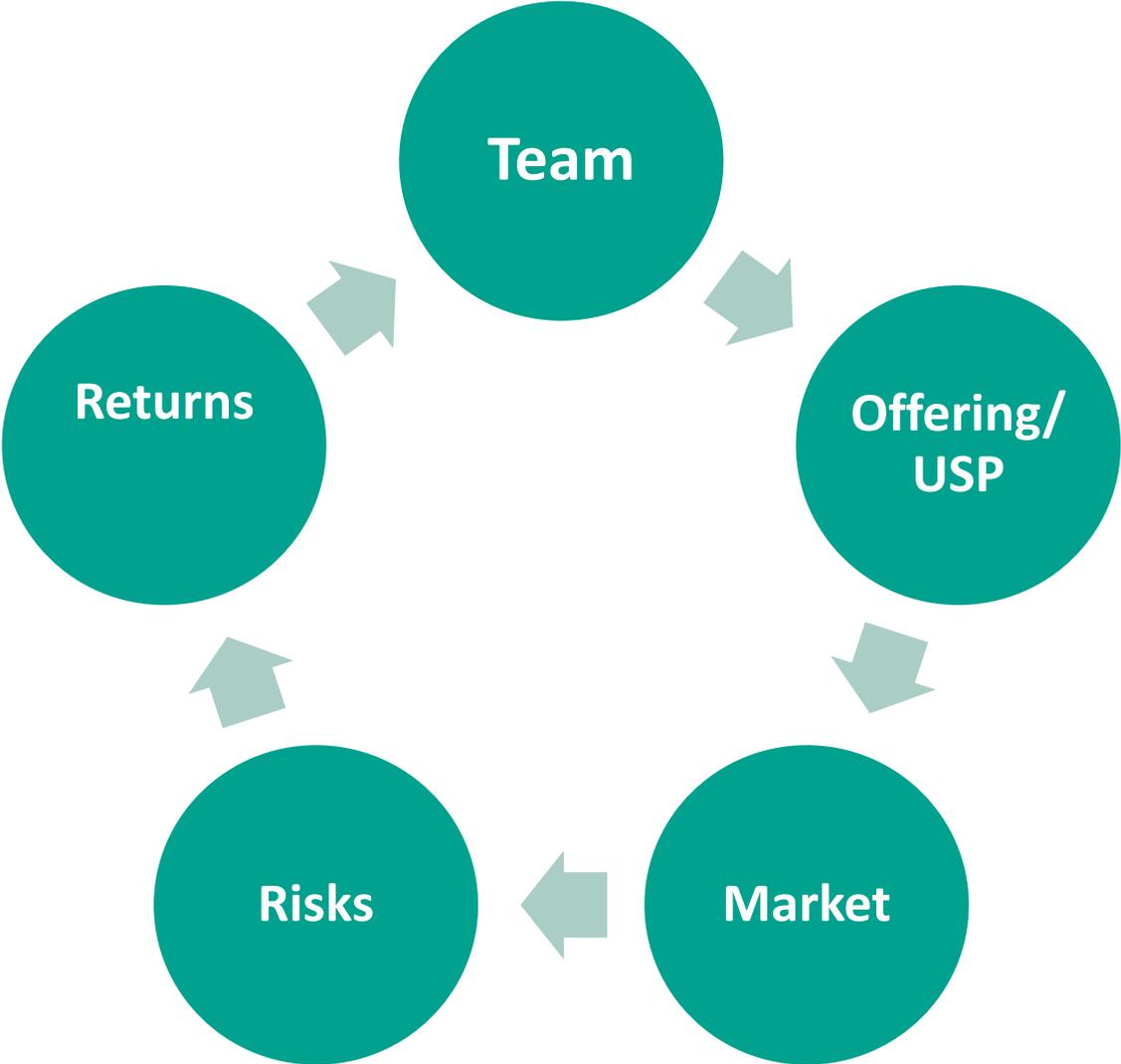
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## Lack of focus & poor product development

- + Have previous products launched successfully?
- + Has the sales team delivered in the past?
- + Is the plan focused and everyone is aligned i.e. management does not get distracted with new ideas?

# A Growth Investor's appraisal process...





## Bob & Bert's

Independent coffee  
and food shop chain

**BGF Growth**



**Company bio:** Known for its distinctive style, high quality food offering and local community focused approach, Bob & Bert's has 15 sites across Northern Ireland.

### Company information

Head office: [Portstewart](#)

Founders: [David Ferguson & Colin McClean](#)

Chair: [Mohan Mansigani](#)

Website: [bobandberts.com](#)

BGF office: [Belfast](#)

BGF team: [Graham Clarke](#), [Gemma Hamilton](#) &

[Paddy Graham](#)

Invested since: [Aug 2017](#)

Total BGF investment: [£2m](#)

### Why we invested

- Strong management team led by founders [Colin McClean](#) and [David Ferguson](#)
- Established brand featuring distinctive and quality offering
- Funding required to support a site rollout across Northern Ireland, the Republic of Ireland and Scotland

### BGF + Bob & Bert's

- Investment to support accelerated roll out of new stores across Northern Ireland and into Scotland.
- Appointed **Mohan Mansigani** as Chair. Mohan was CFO at Casual Dining Group and was instrumental in establishing the growth model for Costa Coffee in the UK



## Morph Costumes

Online retailer of fancy dress costumes

### BGF Growth

**Company bio:** MorphCostumes was founded by Gregor Lawson and brothers Fraser and Ali Smeaton after a night out that inspired the invention of the world's first Morphsuit - a head to toe spandex fancy dress outfit that has since become an international phenomenon.

### Company information

Head office: [Edinburgh](#)

CEO: [Fraser Smeaton](#)

Website: [morphsuits.co.uk](http://morphsuits.co.uk)

BGF office: [Edinburgh](#)

BGF team: [Ben Barker](#), [Euan Baxter](#)

Invested since: [Jun 2012](#)

Total BGF investment: [£4.2m](#)

### Why we invested

- Morphcostumes had ambitious plans to grow into broader costume ranges as it looked to capture a larger share of the large retail party goods market
- Ambitious management team with strong consumer brands experience and track record of innovation

### BGF + Morph Costumes

- Acquisition of **Digital Dudz** in 2013, an interactive t-shirt designer which integrates smartphone and tablet technology into clothing
- In 2014, the company won the European rights to produce a range of Marvel costumes (including Spiderman) and renewed its licence for the continued production of Power Rangers costumes
- Significant investment in online sales – both own website and Amazon capability – broadening Morphcostumes into a truly omni-channel costumes retailer

## Duncan and Todd

Independent chain of opticians

**BGF Growth**



**Company bio:** Duncan and Todd owns and operates a chain of opticians in Scotland, with shops stretching from Fife to the Highlands. With over 40 years' experience, Duncan and Todd manufactures its own lenses at its laboratory in North East Scotland.

### Company information

Head office: [Aberdeen](#)

MD: [Frances Duncan](#)

Chair: [Bob Brannan](#)

Website: [duncanandtodd.com](http://duncanandtodd.com)

BGF office: [Edinburgh](#)

BGF team: [Paddy Graham](#), [David Gammie](#)

Invested since: [Dec 2013](#)

Total BGF investment: [£9.1m](#)

### Why we invested

- Chain of 23 opticians with funding required to support acquisition strategy and expansion across Scotland

### BGF + Duncan and Todd

- **Grew footprint** grew from 23 to 29 sites
- **Supported the acquisition of 20:20 Opticians** including four sites in Edinburgh and two in Glasgow
- **Increased manufacturing capacity** following a £1.3m refurbishment at its laboratory in Aberdeen
- Grew **sales by close to 50 percent**
- Provided initial investment of **£5.6m with follow-on funding of £3.5m** in February 2015
- **Increased debt facility from RBS** alongside each BGF investment to support continued growth

### Exit

- Duncan and Todd was acquired by **LDC in March 2018**



## Stevenswood

Windows and doors  
manufacturer

**BGF Growth**

**Company bio:** BGF invested £3.6m in the Livingston-based Stevenswood, a manufacturer of windows and doors, in February 2015. With the funding, the company expanded its network of trade counters from five to 15 throughout Scotland. BGF successfully exited in November 2016 when the business was acquired by Polyframe Trade Centres Limited.

### Company information

Head office: [Livingston](#)

MD: [Ron Hepburn](#)

Chair: [David Pearson](#)

Website: [stevenswood.co.uk](#)

BGF office: [Edinburgh](#)

BGF team: [Gemma Hamilton](#), [Paddy Graham](#)

Invested since: [Feb 2015](#) – [Nov 2016](#)

Total BGF investment: [£3.6m](#)

### Why we invested

- Dedicated management team working together for nearly 20 years with a strong focus on manufacturing its own products
- Ambitious growth plans to open additional trade counters across Scotland and expand its kitchen operations to meet growing demand
- Continued investment of more than £1.6m into a new site, as well as state of the art machinery

### BGF + Stevenswood

- Opened **ten trade counters** in 18 months
- Increased **brand awareness** across the industry
- Revenues rose from £10m in 2013-14 to £18m in 2015-16

### Exit

- Following a period of **sustained growth**, BGF exited its investment in Stevenswood in 2016
- The business was acquired by trade buyer Polyframe Trade Centres (PTC), creating a group with 26 trade counters across the UK
- The exit provided a **strong return** for all shareholders

# Questions?