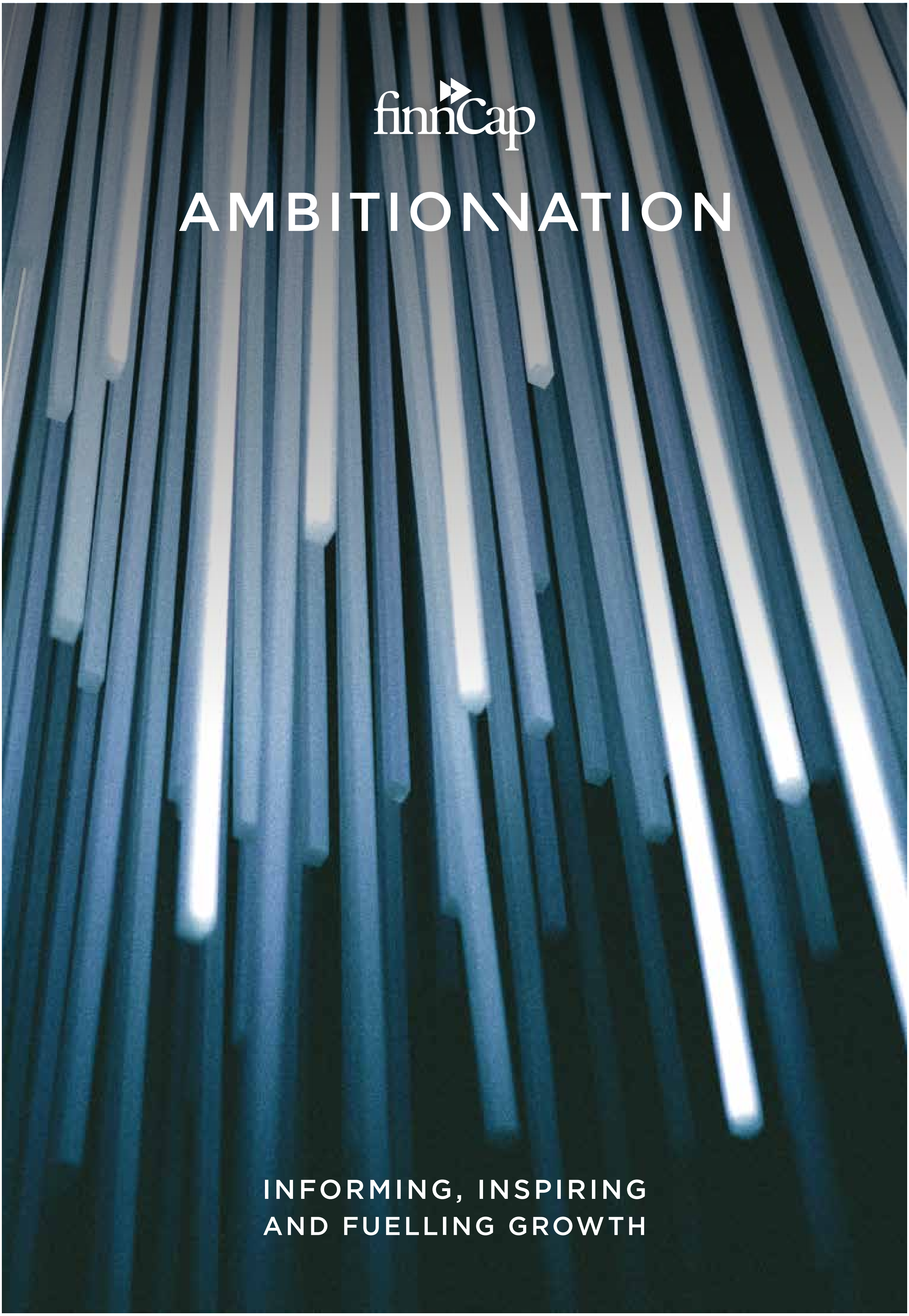


finnCap

AMBITIONNATION

INFORMING, INSPIRING
AND FUELLING GROWTH

Contents:

Foreword

What is my passion? To help ambitious, innovative, British companies grow and realise their potential. In November 2017, we launched Ambition Nation to help fuel growth in as many UK PLCs as possible.

The idea for this nationwide campaign came about after speaking to many different companies, to find out more about their funding challenges. We found that the best way to fuel growth was to showcase stories of ambition and success, open up a dialogue between those business leaders that had done it all before and those that needed advice, all the while helping to build a better working knowledge of the funding landscape and language.

Why? Two words: confidence and inspiration. There is neither a magic formula to growing a business, nor a perfect funding option.

But with all that power under the bonnet, still 30% of companies do not use outside funding

But by sharing stories of ambition, as driven business leaders explicate on what went right and what went wrong for them, and how they overcame their challenges, we can provide the next generation of founders the information that makes crucial growth decisions easier.

We've seen first-hand at finnCap that when ambitious companies make the right funding choices, they grow, and they grow fast. Through Ambition Nation, we're tracking the ambitions, perceptions and aspirations of UK small- and mid-cap companies to ensure we can address the issues that matter to them.

Why is this sector so important? Well, the number of British scale-up companies has grown 12% this year – and 35% in the last three years. This represents something like £1 trillion of turnover and 3.5 million jobs, or a fifth of all jobs created in the UK.

Meanwhile, 60% are based outside London and are instrumental in making our regional economies work harder.

But with all that power under the bonnet, 30% of companies still do not use outside funding. We regularly survey our growth company CEOs; time and again, it is this fundamental knowledge gap, about how to find the right capital, that emerges as the critical obstacle to growth.

Through Ambition Nation, finnCap is plugging that gap. We're encouraging companies to scale, to find funding that supercharges their growth, and in doing so make a meaningful difference to the future of British business.

Sam Smith
CEO, finnCap
@SamSmithfinnCap

Welcome to Ambition Nation

We launched Ambition Nation in the autumn of 2017 with a clear mandate: to track the ambitions, perceptions and aspirations of the UK's small- and medium-sized business sectors.

While much is made of Britain's thriving start-up scene and resilient FTSE 100, we wanted to hear from the mid-sized businesses making up 90% of UK plc and give them a voice, too.

These are the firms steadily growing in the background and forming the backbone of the UK economy. What was life like for them? What was happening to Britain's overlooked SME sector?

To find out, we launched a series of summits, roadshows and panel events across Manchester, Cambridge and London. We conducted in-depth interviews with hundreds of businesses and surveyed thousands more.

"In which area do you require the most advice and support currently?" we asked. "Do you feel that mid-sized firms have more or less funding options than start-ups?"

The responses confirmed much of what we expected.

Despite 91% of leaders expecting their business to grow in 2018, 61% still felt that start-ups received more government support than scale-ups, while 65% believed it would become even harder to recruit talent in 2018.

It became evident that steely ambition was not enough. Leaders needed far more support than currently available if they were to scale up. They needed better access to impartial funding information, better business strategy support and more media coverage.

The qualitative data – made up of more than 500 interviews – supported the stats. "There are opportunities, but also lots of uncertainty ahead... we need more help to navigate through it," one leader told us.

"We are ready to be bold but we need some help," said another. "We need advisors, investors, the government and the public to get behind us to make UK plc the success it can be."

The general consensus? It's lonely and overwhelming in the middle.

Armed with this insight we continued our mission to inform, inspire and fuel growth. We travelled to Cambridge to meet with East Anglia-based leaders, local founders and heads of pioneering life sciences companies – highlighting their challenges on our post on the Ambition Nation blog, Amplifying the legacy of ambition: Ambition Nation in Cambridge.

We heard how, for these East Anglia businesses, there may be investors ready to deploy, but there aren't enough thriving scale-ups to demonstrate where the returns lie. It was down to networks like Ambition Nation to support and promote these companies, to bring the right investment stories to the right investors.

In Manchester, we learnt that engaging finance partners and funding advisors early on was mission-critical for growth. That identifying the right type of business funding is a skill that needs nurturing in order to bring about real, valuable growth – as detailed in our Ambition Nation blog post, Growth capital is London-centric. Does that matter?

And in the capital we took it a step further by launching our Female Leaders Series, bringing together ambitious female founders, CEOs and investors to share experiences of how other female leaders have accessed capital in what can be a very male-dominated investment landscape.

In many ways, the Ambition Nation Summit 2018 is the culmination of all these investigations. In other ways, it is only the beginning.

By tracking the ambitions, perceptions and aspirations of the UK's SME sector, we are building a network of support. One we hope will help UK business leaders find the right funding and achieve their ultimate scale-up ambitions.

Building an ambitious future

From GDPR to auto enrolment changes, 2018 has been another burdensome year for mid-sized businesses – one many might be keen to leave behind as they look to the future and grow their companies.

Despite ministers promising bonfires of red tape, more than half the leaders we consulted said government regulation is still hindering productivity, and that simplifying the tax system would be the single most effective regulatory change to boost productivity. Add to this a turbulent backdrop of Brexit, other macroeconomic factors and extreme weather, and it's a wonder that SMEs are looking to scale at all.

And yet they are.

Our research shows striking resilience and ambition among UK firms. Some 65% of leaders are looking to scale their business over the next 12 months, and one in four is revising plans upwards as a result of increased customer demand.

As for the so-called 'productivity puzzle' – referring to the stagnant trend in hourly output prompted by the financial crash of 2008 – leaders are hitting back too, with two thirds now tracking employee productivity by the hour. We take a look at the productivity puzzle in more detail in the fourth edition of our Ambition Nation Report, released in September 2018.

But despite this hunger for growth and move towards greater efficiency, these would-be scale-ups are still struggling. Funding remains an opaque and overly complicated process, they say, while more than half believe there's greater funding and support available to start-ups than scale-ups.

Most business leaders also feel the government could do more; nearly two thirds of the leaders we surveyed said Westminster supports new business more than it does mid-sized.

In our exclusive interview, Adam Bellamy, CFO, PureGym urges business leaders not to be disheartened by the external factors that are beyond their control. Rather, focus on building a clear case for scale-up funding.

"People are falling over themselves to support good businesses – there is plenty of money out there," he says.

By leading PureGym through several rounds of private equity fundraising, plus the company's critical decision *not* to go public in 2016, Adam helped scale the business into becoming the largest operator of UK gyms, with over 200 gyms and more than a million members.

There is, of course, no silver bullet for scale-up success. The many interviews carried out by Ambition Nation over the last 12 months confirm – were it ever needed – that there are no tried and tested funding routes either.

Instead, business leaders must realise the diversity of funding options available to them, and the freedom this affords to raise finance in ways best suited to the business.

But what about looking further to the future – to the culmination of all your hard work? We also hear from Cavendish Partner and former Vice President of KPMG UK, Derek Zissman. Derek is an expert in exit planning, helping entrepreneurs navigate through those critical closing stages of a company sale.

In our interview, *Getting the exit stage right*, he explores the reasons why SME owners might want to sell, how they can get their house in order, and planning for the next steps.

As the pains of 2018 begin to subside, it's time that Britain realises the ambitions of our mid-sized businesses, promoting them and giving them access to the kind of funding that can supercharge their growth.

Adam Bellamy
CFO, PureGym
@PureGym

When all else is murky, be clear

It's easy to get bogged down by Brexit chatter. Though not the only macroeconomic factor that brings with it a fair share of uncertainty, Brexit especially feels like a cloud over this country's business founders that won't dissipate gladly. Nevertheless, when a skilled pilot must negotiate stormy skies, what gets them to their destination is being completely clear on where they're headed.

"If you've got a great business and it has real potential to scale, try not to let things like Brexit pollute your thoughts," says Adam Bellamy, CFO, PureGym.

"People are falling over themselves to support good businesses – there is plenty of money out there, through private equity firms or bank lending – but they're not going to give money to just any old idea."

Avoid complacency

PureGym has largely sidestepped the Brexit impact thus far, but is certainly not being complacent, Adam explains. Having said that, when it was founded the company faced its own wider economic issues, not least a gym sector in the UK that had been out of touch with customers' needs and was vulnerable to the impact of the financial crisis.

Despite Brexit, there is more money available now for companies and a larger spread of sources of funding than ever before. While there are doubtless challenges facing so many scaling companies over Brexit, not least in staffing, macroeconomic issues need not play a role in finding the right funding for growth.

Clarity of purpose

The gym business model benefits from a fairly rigid cyclicality – there is inevitably a surge in sign-ups as the post-Christmas/New Year blues sets in – but it is PureGym's contract-free, flexible usage set-up that, for instance, regularly encourages a flurry of new customers amongst students, around September time.

> "If you start losing people, it makes it very hard for them to invest. We had a good, disruptive idea... the scalability was clear."

This business model – disruptive of the industry norm at the time of scale-up – was a determining factor in PureGym's growth. Moreover, it was the clarity of purpose and simplicity in how it was presented that weathered any potential storm, ultimately winning a crucial round of private equity investment that enabled the company to scale.

"We had a very clear, simple proposition," says Adam. "If you start losing people in what you're trying to get across, it makes it very hard for them to invest.

But we had a good, disruptive idea, a great set of backers and a strong management team. The scalability was completely clear."

The instant attraction

For PureGym, there was a distinct path to scale, and the company pointed to low cost gym models elsewhere in Europe that were already working well. The prospect was instantly attractive to private equity investors. As it turns out, that clarity of purpose also served PureGym well against another external pressure.

"We had considerable prejudice to overcome because the UK gym sector had struggled in the mid-2000s," explains Adam. "There were a couple of high-profile casualties and that was something we needed to contend with."

Putting the brakes on an IPO

While the business has managed to avoid practical repercussions from Brexit, the referendum of 2016 did in fact impact PureGym's growth plans at the time, in hindsight perhaps for the better.

Adam explains: "In 2016, our private equity investors were looking for an exit – we were at the end of their fund and the banks advised that an IPO would be a viable option. We did all the preparatory work for an IPO and then, at the time of the Brexit vote, the market for listing businesses went very quiet. That was perhaps understandable given the uncertainty the vote brought."

As such, the business continued to expand and trade well; the following year it went for another successful private equity sale and this summer went on to acquire Soho Gyms, further extending the low-cost gym offering for the UK.

"We've done a lot in the past year," says Adam. "What's great is that our current investor isn't pressing for a quick exit and is actively supporting us in our growth plans. We're open minded about our eventual exit route and, despite our previous experience, an IPO could still prove to be viable in a few years' time."

"I think that we are testament to the fact that if you've got a good business, a clear proposition and can build a good management team and infrastructure around you, you will get funding. The funding is there for businesses with these characteristics."

Derek Zissman
Partner, Cavendish
@CavendishCF

Getting the exit stage right

With years of experience in exit planning, Derek's ultimate aim is getting the right price for a company. So what does he tend to look for to help a founder create the best possible exit strategy?

"Planning is key," Derek explains. "We need to address the critical issues before the exit process gets underway – understanding the founder's ambition in terms of value, timing, the exit options, the strength of management, as well as reviewing financial results and forecasts."

Timing

Timing always comes up early in the discussion. The state of the M&A market is a big consideration, as is the current tax regime. One must also take into account any possible changes, such as whether entrepreneurial relief will be scrapped, a change of government, or Brexit.

The exit options

Determining the exit options generally boils down to one of the following: selling to a trade buyer, to a private equity firm or an IPO.

Some entrepreneurs shy away from the public eye; appointing an experienced, public company non-executive chairman can help to protect a founder, but going public isn't for everyone.

Meanwhile, selling to another entrepreneur, Derek warns, can create difficult negotiations; it pays to have your most trusted advisor beside you.

Management

Buyers take a hard look at the company's management below the founders. Specifically, they tend to be interested in how dependent the company is on its founders. They also want to know whether the company has a strong Finance Director, who plays a key role in answering questions about the financial affairs of the business.

> "When a founder arrives at our door, intent on planning an exit, there are two questions I always ask," says Derek Zissman, Partner, Cavendish. "Firstly – 'why are you selling?' and secondly – 'what will you do afterwards?'"

Due diligence

The due diligence process undertaken by the buyer – a critical review of results and forecasts on which the buyer determines the value of the business – is searching, disruptive and time-consuming. There will be a lot of questions and answers have to be detailed and supportable.

"Most importantly we don't want any negative issues identified, particularly those we weren't told about previously," says Derek. "Failure to satisfy due diligence gives a buyer the ammunition to chip away at the price. It is also a major cause of a deal falling over."

An experienced corporate lawyer is also essential. With the buyer undoubtedly using a serial M&A lawyer, the founder needs a lawyer who is used to dealing with the issues which crop up on almost every deal.

Maintaining momentum

Derek also emphasises the importance of keeping the business running. Obvious perhaps, but there are many entrepreneurs that fail to realise how all-consuming – in terms of time, energy and focus – the exit process can be.

"Taking management's eye off the ball can result in all sorts of problems," he explains. "The last thing you want at this stage is for the business to face a deterioration in its results."

What to do after

A vital consideration, seldom thought about, is what happens afterwards. After the hard graft, the early mornings and the late nights that have defined an entrepreneur's existence for years, having that taken away overnight can mentally feel like going over a cliff edge.

"It's easy to forget the founder carries an emotional attachment to the business, which the buyer doesn't," says Derek.

So, should the founder stay in the business after exit? Sometimes there's no choice. If they've left some equity on the table, they need to work hard to ensure their expectation of deferred consideration is realised.

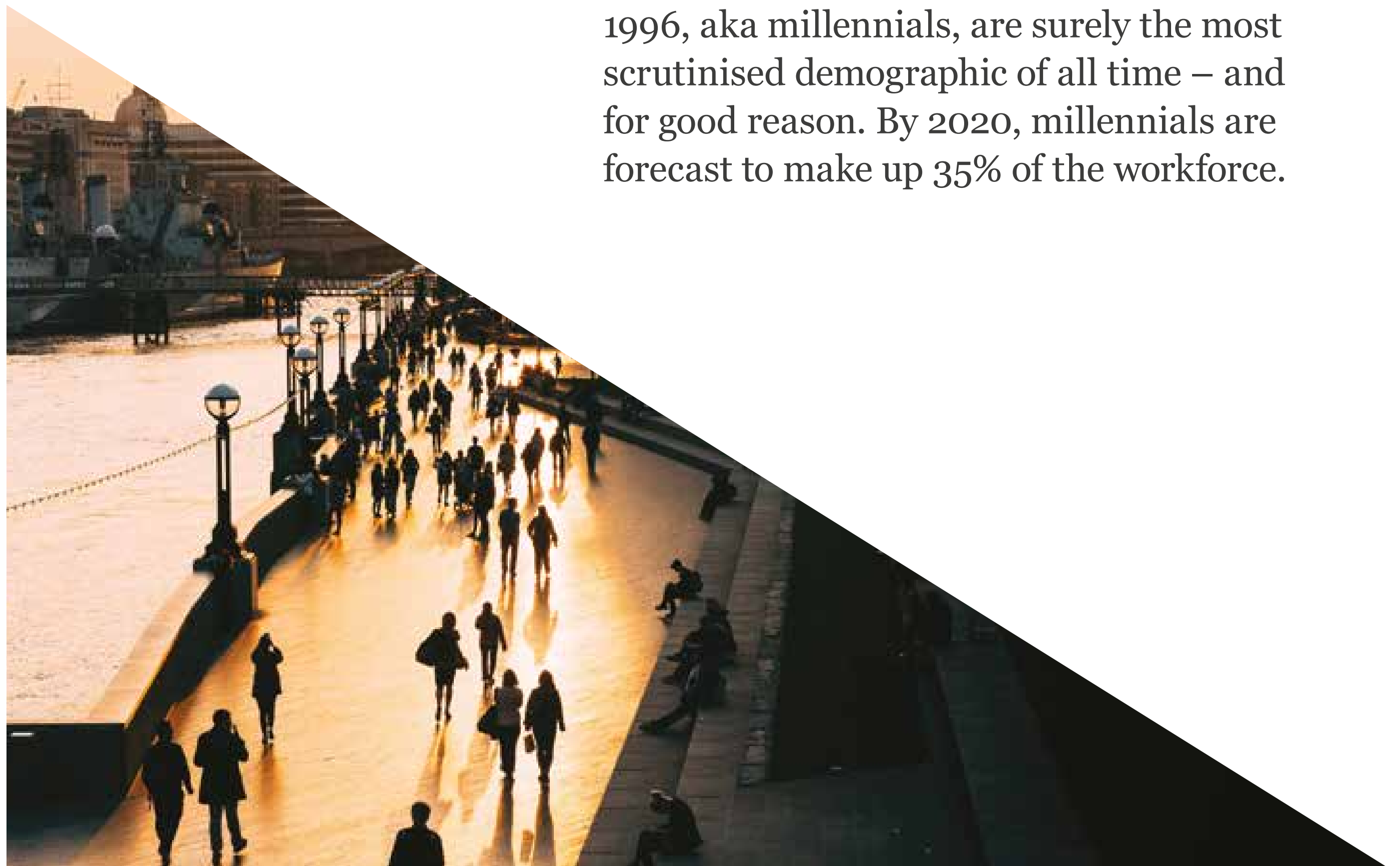
"Otherwise, it may be difficult for the founder to live with the inevitable changes the buyer will make to the business," explains Derek. "And it probably won't be as much fun."

Of course, there is always the option to start afresh, but it's important to remember there's no guarantee of getting the same result.

"I've seen founders fail to repeat their success in a second, similar business," says Derek. "It's difficult to recreate that hunger and motivation you had the first time round."

Mission in the new age of business

Snowflakes, entitled, generation rent – much is made of Britain's 22- to 37-year-olds. As the first generation to grow up in the digital age, those born between 1981 and 1996, aka millennials, are surely the most scrutinised demographic of all time – and for good reason. By 2020, millennials are forecast to make up 35% of the workforce.



Following Generation X and preceding Generation Z, millennials are that digitally native populace that remembers life before smartphones, social media and – for older members – the internet. This yields them a unique position in today's workplace: they come equipped with a nuanced understanding of digital technology and its potential for disruption, a questioning attitude and high expectations of brands and employers.

For this group of tech-savvy, demanding workers, choosing an employer involves far more than comparing salaries. For millennials (and, it seems, the next generation poised to enter the workplace), weighing up opportunities involves a careful consideration of remuneration, job satisfaction, work-life balance and the company's culture, values and mission.

So why is this so important for scale-ups?

Of the 550 leaders we spoke to for our second Ambition Nation Report, published in December 2017, 65% said they believed that hiring talent would become harder in 2018. This is perhaps not surprising. The Brexit fallout has already exacerbated the low-skills gap, keenly felt by labour-intensive sectors such as construction, hospitality, facilities management, farming and social care. And as for the skills gap in STEM, Brexit will only make matters worse, warn employers, with many fearing the loss of both EU funding and EU talent.

It's not all doom and gloom, however. The growth in social enterprise and purpose-driven business suggests that those companies which place mission and purpose at the heart of their strategy – either alongside or ahead of profit – are likely to fare well in this new, ethics-driven age. And while it would be foolhardy to suggest that millennials are impervious to competitive salaries – they're not – the evidence suggests that innovative, culture-led SMEs can, and do, win talent away from purely profit-driven enterprises.

In *The growth of thinking differently*, Cat Gazzoli, founder of baby food scale-up Piccolo, describes how she beat the odds to grow her kitchen table start-up, into a fast growth business with a projected turnover of £5 million, with products stocked in all major supermarkets. With a clear mission to make nutritious baby food accessible to all, Ms Gazzoli explains how The Food Education Foundation launched by Piccolo has become central to the business.

Helping businesses retain a committed workforce lies at the heart of AIM-listed, employee-benefits-centric wealth management firm, Mattioli Woods. Indeed, the firm leads by example. Founded by Bob Woods MBE in 1991, in Recruiting for Culture, Mr Woods explains why building a positive internal culture from the ground up is not simply a nice-to-have for ambitious UK companies, it is a vital apparatus for growth.

The mission is how you nurture your internal culture, listen to and reward talent; it's how you imbue real value in your immediate community; it's your customers' experience; it's your bigger purpose in the great wide world or it's all of the above.

In the new age of business, it's those leaders that think beyond themselves that succeed.

"When it comes to technology in business, we need to re-evaluate our perception of what work is the most economically and socially valuable."

Recruiting for culture

"When we started, I don't think we quite realised just how critical that culture would be to our growth"

Bob Woods MBE
Co-founder, Mattioli Woods
@MattioliWoods

Perhaps it was a literal closeness – that Bob Woods MBE and his business partner Ian Mattioli MBE experienced back in 1991, when they set up Mattioli Woods in the confines of Ian's "tastefully converted garage" – that led the entrepreneurial pair to found their firm on a strong, tightknit company culture.

Leicester-based Mattioli Woods has gone on to become a household name in retirement -centric wealth management, especially so for rugby fans who synonymise it with the Leicester Tigers through a valued sponsorship deal. Indeed, it's a deal that epitomises the culture of Mattioli Woods as a national team themselves – a beloved family that has Leicester as its epicentre and home.

The white knights

With company culture such an increasingly important mission for scaling businesses these days, one could say that Bob and Ian were years ahead of their time. That said, 'company culture' as a business value proposition is often hard to define.

Bob's advice? Start with that culture at your heart and keep recruiting for it.

"When the financial services sector really took off during the 1980s, when Ian and I were just starting out, it was a wild west," says Bob. "The government of the day incentivised the sector, but there was no regulation – you could pretty much take a course and become a pensions salesman in the space of a week. There was an enormous amount of bad selling."

Bob and Ian were fortunately stood in good stead, working at the time for a company that required a high level of professionalism. In choosing to go it alone, what made the start of their story so strong was that the pair positioned themselves as a pensions troubleshooting service, in other words, a white knight amongst the cavalier attitudes of the time. From this, the Mattioli Woods culture was born, founded on creating trust where there was little. Their core values are importantly as steadfast today.

"We're in financial services, so integrity is a value we hold dear," says Bob.

"We are truly client-centric. None of our internal processes have ever been geared towards the convenience of the firm, they are there to always put the client first. Finally, we wanted our workplace to be open and friendly – somewhere that our staff would enjoy coming to every day."

The graduate programme

To this end, the entrepreneurs realised they needed a graduate programme and they set one up within their first year of trading. Bob recalls that recruiting graduates into the world of pensions, to an East Midlands-based firm with a "funny sounding name", was indeed a challenge in itself. What this meant, however, was that their candidate pool was concentrated. It was within that pool that they quickly began to identify the traits they wanted, which were easily summarised into four categories.

"We weren't looking for firsts from Oxford; just a CV that demonstrated a decent academic background," explains Bob. "We then wanted to see people with genuine interests outside of academia. Thirdly, we wanted to see some evidence of ambition, or a competitive streak, but it didn't really matter how that manifested.

"Finally, we wanted to know what mum and dad did – we wanted to see how the candidate talked about family. If the candidate could demonstrate these four traits, and we liked them, we knew this was someone we could work with. Nowadays, we have an HR department and the selection process is much more sophisticated, but HR still hold those values at their heart and it's a methodology that has rarely failed."

Recruiting the management team

At the centre of a good investment story is always a good management team, and it was this positive culture that made recruiting their team a relatively straightforward affair.

In staying true to a commitment to train and promote from within, a strong and competent management team, with their core values at heart, built itself almost organically.

"The downside of this is that we only had people for whom this was their first job, and so had no practical management experience," explains Bob. "But of course the upside is that we had a team in development that we knew intimately. We knew everything about their careers and as such could fit candidates to the management spot most suited to them with enormous confidence."

Keeping that culture alive as the company grew and went public was not as straightforward. Expanding from an open office where everybody knew each other well to a much larger entity had its challenges. But Bob maintains that keeping that culture at the forefront of the company consciousness has served them well.

Bob explains: "For instance, by keeping the importance of culture at the front of our minds, on the odd occasion we see someone do something at odds with that culture, we can nip it in the bud right there. And of course this generally has a ripple effect on their neighbourhood of colleagues. I think it's that constant fine-tuning that keeps the culture alive."

Cat Gazzoli
Co-founder, Piccolo
@MyLittlePiccolo

The power of thinking differently

The dictionary defines 'purpose' as 'the reason for which something is done or created, or for which something exists'. When we talk about purpose in the business sense, that definition sometimes feels lost.

"By offering something different, we have been able to prove to people like Sainsbury's and Tesco that consumers want something new from the baby food aisle."

When a brand purpose feels trite, that's often because it is. Purpose is too often shoehorned into brands' value propositions, because leaders feel compelled by a growing onus on being seen to 'do the right thing'. This is the wrong way to think about it, and to the savvy audiences of today it's pretty obvious when they are.

Purpose, in business just as anywhere else, cannot be an afterthought; it is a reason something is created.

Take Cat Gazzoli, co-founder of Piccolo, a baby food brand success story. Piccolo was founded on a clear purpose: to give babies – specifically, Cat's daughter – delicious, nutritious meals based on organic Mediterranean ingredients, sustainably sourced from small producers. Cat had never worked in the commercial sector before; she simply noticed an obvious opportunity that begged for intervention.

"I realised that there was nothing available to buy when we were out and about that was anything that was like the meals I'd enjoyed growing up," Cat explains. "The existing market was just full of big corporately owned brands. There was a real gap for a family-run business that focused on quality, sustainability and giving back."

Cat hears directly from her customers how important it is to them to have choices, to understand what their beliefs are and what they feel is important, and what they expect from the companies they support.

"We want to work closely with them to make sure we're still on the right track," adds Cat. "We are driven by more objectives than only commercial ones."

A genuine, purpose-driven mindset is becoming increasingly important to investors and partners, too. Cat's main investors knew her from her previous roles in food education and campaign management for NGOs, and as such had genuine trust in the cause. And when it came to securing the big distribution deals, that purpose continued to serve her story.

"They really liked our point of difference and proposition from the outset. By offering something different, we have been able to prove to people like Sainsbury's and Tesco that consumers want something new from the baby food aisle."

Purpose cannot and should not be forced; it has to be the reason your business or product exists. If your purpose is not a reflection of your personal beliefs, why is it there?

Looking to the future: data, AI, cyber

It's an exciting time for UK tech. January's much-anticipated roll-out of PSD2 (aka Open Banking) promises to open up financial data and in doing so help demonopolise Britain's banking sector once and for all.

The reforms spell great things for business banking especially. An area ripe for disruption, fintech start-ups are now competing to launch new platform services for investments, invoices, lending and plenty more.

Blockchain continues to boom too, with finance, retail and insurance businesses embracing the opportunity it provides for transaction processing, goods provenance and traceability.

And as for artificial intelligence (AI), this was the year that saw voice assistants go mainstream as well as the release of Google's and Amazon's AI for business products, Cloud AutoML and Amazon AI.

Closer to home, AI is now influencing a broad spectrum of sectors. London-based brewery IntelligentX has launched the world's first AI-brewed beer using machine learning, while a study by property firm CBRE found that nearly half (48%) of London's law firms are already using AI, with 41% planning to do so imminently.

To that end, in this section, Tom Wallace, Partner at law firm K&L Gates, not only touches on how AI continues to infiltrate the legal profession, but also how company bosses can stay ahead of a regulatory landscape that changes as quickly as the technology it underpins.

Indeed, with great opportunity comes great risk. The more we digitally transform our businesses – whether by accessing the cloud, connecting devices or investing in data capture and analysis – the more we leave them open to hacking, employee negligence and data breaches.

These concerns were keenly felt by the SMEs we spoke to for our second 2018 Ambition Nation Report, especially those at the larger end of the spectrum - turning over £150m to £500m. For these scale-ups, optimising technology infrastructure, including cloud and big data management, was an action most likely to lead to growth – but not without its potential risk.

"Most of our risks and opportunities next year are digital: Cybercrime could kill our business overnight while Capex to Opex efficiencies of shifting data to the Cloud could give us better financial agility than ever before," said one business leader. "Digital technology is now at the core of our business holding most of the risk and opportunity for 2018."

Quantexa COO Imam Hoque explains to Ambition Nation where the weaknesses will most likely lie for the modern, data-centric business, and the steps that leaders can take to mitigate the risks.

Non-digital businesses and digital-based businesses alike are learning how to navigate these fast-moving advancements in digital technologies.

"GDPR has had a profound effect on how businesses use technology and design products," explains Andrew Darley, Head of Technology Research, finnCap. "It is absolutely fundamental that businesses design security into their solutions' DNA from the outset, to protect themselves and their customers."

"When it comes to technology in business, we need to re-evaluate our perception of what work is the most economically and socially valuable."

Jason Stockwood
Global CEO, Simply Business
@jstockwood

Putting data into the company DNA

When Jason Stockwood took on the role as CEO of Simply Business in 2010, the insurance sector was very much a laggard in the technology industry.

The sector was disparate and opaque with business insurance often expensive and ineffective. Determined to disrupt the model, Jason launched a new style of insurance provider – one that placed data and online technology at its core.

"Rather than data being used in segregated parts of the business and often connected with underwriting like other insurers, every person at Simply Business has data in their DNA", explains Jason. "We analyse data to learn and improve our customer proposition and create a better business for our people. More recently, our in-house behavioural scientists are working with machine learning and AI to test and create more efficient service experiences".

Jason's model worked. Eight years later and Simply Business is going from strength to strength, with 450,000 business and landlords covered by its tailor-made policies. "Insurance is demonstrating its ability to lead the way with agile, innovative and tech-driven offerings," says Jason. "From incumbent carriers like MunichRe to online providers like Simply Business – more and more insurance companies are recognising that consumers need flexible and tailor-made insurance services – and it's through harnessing machine intelligence and data, combined with an agile and empowered culture, that we've been able to provide this."

SMEs should be careful though warns the entrepreneur. Our fixation with technology has the potential to have a negative impact on business in the next few years. Technology's enabling opportunities are often overshadowed by media hype related to automation and supposedly inevitable job losses.

"When it comes to technology in business, we need to re-evaluate our perception of what work is the most economically and socially valuable. Primarily we cannot underestimate the importance of emotional intelligence over machine intelligence. Businesses need to remember technology is a tool, an enabler and catalyst to help change business for the better, not a replacement for human thought."

This theme is covered in Jason's recent book 'Reboot: A Blueprint for Happy Human Business in a Digital Age'.

Imam Hoque
COO & Global Head of Product, Quantexa
@imam_hoque

Protecting your data crown jewels

When one thinks about the threats that face 21st century businesses, there is little that is more important than your ability to protect your data.

Losses of identity and the ability to masquerade are common issues to which we've all in some way been privy. We're all also acutely aware that everyone leaves behind a digital exhaust as we joyride through cyberspace. But such practices are like pockets of espionage within a war that stretches far wider than many might appreciate.

"In a classic war scenario, the player that wins is usually the one with the deepest pockets and that can be around the longest - they win through attrition," says Imam Hoque, COO of data analytics firm and cybersecurity experts Quantexa.

"What makes today's data war so hard is that a kid in a bedroom can have the equivalent of a Typhoon fighter jet at their fingertips. The truth is anyone can access the kind of power normally reserved for nation states."

Changing the mindset

The problem with tackling cybersecurity today is one of mindset. It's probably fair to assume that more people than not are guilty of some level of data complacency, and probably unwittingly so. For business leaders this is the first thing that needs to change: the assumption has to be that there is a data breach.

Put another way, the question CEOs must ask themselves is not 'are we exposed?', rather 'how badly'?

"Take banks, for example," says Imam. "Many banks by their very nature are international, so inevitably they have operations in countries where data breaches are commonplace. The bank can't super-segment all of its internal networks; what you need to be doing is protecting your crown jewels."

The age of pseudonymisation

It's simply not feasible to try and extensively cover the outer limits of your data reach. What's more critical is to monitor and restrict access to the truly sensitive data. This includes fundamental things like making sure your encryption software is updated, but also ensuring that the critical data you keep is truly anonymised.

Here, GDPR raises its unpopular head. But while the regulation might feel like a nuisance for many, it's arguably more so for those that want to exploit your business data.

"What GDPR is doing is making everything harder for the cybercriminal," says Imam. "They might crack into your systems, but if the data is anonymised, it's hard to do anything with it."

"As ever, there is a balance to be struck. One must concede that 100% anonymised data is also of little use to many company departments, marketing especially. As such, many business leaders are looking to pseudonymisation processes, which preserves privacy of data by replacing certain data fields with pseudonyms, so it can be restored where needed."

The point is to be utterly stringent in anonymising the data that really can make or break your business in the event of a breach. Of what does the founder seeking investment need to be aware? Again, one must return to the question of how badly the data is exposed.

"Obviously it all depends on what you do as a business," explains Imam. "But in basic terms, if you carry no external data, then all you need to worry about is simply your own firm's HR data, which is straightforward. If you carry straight personal information, the situation generally isn't too bad either. But if you carry sensitive PII (personally identifiable information), you must realise you become an attractive target."

Imam predicts that as we move into the future, we'll likely see increasing acceptance of some form of illicit penetration. These antagonists are smart and have an armoury of assault tools, so encryption will continue to play a crucial role, as will how widely one's data is accessed.

With that in mind, you'll also have to think about your staff. The modern day cybercriminal is not dissimilar in mindset to the classic 'disgruntled employee', Imam adds.

"Ultimately, there'll be this increasing, fundamental need to focus on protecting your critical assets."

Tom Wallace
Partner - Corporate and FinTech Practice Group, K&L Gates LLP
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Law and the FinTech order

In the life of a modern business there are two things that are certain: technology and data. How business leaders future-proof themselves in the context of these undeniable realities is a critical consideration.

However, the legal landscape that underpins them is an uncertain terrain, not least because data capacity expands at an exponential rate; to some extent, you may be needing to consider the potential of technological advancements that haven't even happened yet. It's not an easy situation to contend with, says Tom Wallace, Partner at global corporate law firm K&L Gates and the leader of its FinTech practice group in London, but there are a few key considerations that founders should always be thinking about.

Permission slip

"Growth companies, especially in FinTech, rely on the value of their data sets," explains Tom. "Often as much, if not more, than the IP in their technology assets.

"This means they must consider upfront the legal and contractual issues that might limit the future exploitation of those data sets. There's an onus on companies to try to structure their systems, processes and contracts to either mitigate the effect of those restrictions, or allow the necessary transparency and flexibility to lawfully monetarise those data sets in future. It's something that people frequently get wrong."

There's no doubt that data is gold. There's so much value trapped within those millions of miles of numbers that companies naturally want to use it all in numerous different ways. But what companies are beginning to find as they get bigger is that they do not have the permissions needed to do all that.

"We're seeing this a lot in the world of FinTech platforms," Tom continues. "As companies mature, they're finding that their platform falls out of line with the reason their data was given to them in the first place. Commonly, the law restricts the future re-purposing of data, either by way of private agreements you may have made with your third parties data vendors, or through legislation meant to protect the individual, such as the European data protection legislation."

Built-in flexibility

K&L Gates regularly helps companies on their data strategies and the development of platforms that have that flexibility built in. It can get complicated when companies want to build their portfolio of solutions to sell that are customised to data, according to customer preferences.

"There are tricks and ways to future-proof this kind of approach to data management – to give you flexibility at the growth stage," says Tom.

For example, this might involve allowing customers to set their own preferences, building that capability into the system, and anticipating future uses of that data. Often transparency is the key. The law isn't designed to stunt innovation in data, but it is designed to safeguard against the exploitation of people's data without their knowledge, and in some cases, without their consent.

When building your data sets and the systems you use to process them, there is also a need to be thinking about legal ownership from the off. Being absolutely clear on who has the legal rights to what will ensure you don't run into legal complications further down the line. Legal ownership of data is a murky area, and – outside of the realm of personal data, where individuals now have extensive rights of control the use of their own data – contract is typically still king when working out who legally owns what.

Meanwhile, the ownership of your technology systems is another matter entirely.

Supercharged technology

This is a brave and transformative new world for all. It can be easy to forget that the legal side of our new technological age has had to ebb and flow at a rate that matches the extraordinary development and diversification of data, systems and processes. Just like the engineers, data scientists and software developers, lawyers too have had to keep up with the constant introduction of new tech and its associated regulation.

"We've had to deal with a deluge of data and supercharged technology that is readily and freely available. Lately, there's been an explosion in the speed and scale of innovation in financial services,"

"We're now dealing with very tech-savvy customers in an extremely competitive environment, but it's important to remember that we have a regulator in this country that favours this. It regulates for customer-centric solutions; regulation in my field is, on the whole, geared towards encouraging innovation that improves the customer experience and offers customers different options."

Wherever we're headed in the future, data will always be the fuel and technology will always be geared for better experiences.

"Change keeps coming," says Tom. "The AI revolution has barely taken off yet. Even in the lawyer world it's happening – for example, we're already using systems that can perform due diligence operations in a fraction of the time a human can.

"We're also testing an internal blockchain solution that automates certain contractual obligations; some believe that smart contracts will fundamentally change the way in which law firms operate."

Shining a spotlight on AIM

Stuart Andrews

Head of Corporate Finance, finnCap

@finnCap

Your listing is a global kite mark

2018 has seen good appetite for IPOs. It's been particularly good for ambitious growth companies that are looking to access the growth capital that expands their operations into new products or geographies.

Whilst Brexit and the economic policies of the US and China dominate the headlines, the real work is being done by business leaders that are responding to the challenges of new regulations or changes in their industry. They spot opportunities to exploit changes, rather than being bound by them; in that context, an IPO can be a key part of the puzzle.

The decision to float on a public market is a seminal event in the lifecycle of a business. It's the start of a new journey.

It can seem daunting, but just as with any venture down an untrodden path, your preparedness for what is to come means everything.

CEOs can often underestimate the time and effort that an IPO will take. Important decisions will need to be made with respect to your advisory teams, the timing of your IPO, your corporate structure and the health of the market. The IPO process puts strain on executive management – continuing to run a business whilst making critical IPO decisions and undergoing a rigorous due diligence process is no mean feat.

It certainly helps to take advice at every juncture where a challenge arises, as well as hearing the experiences of others that have managed a successful float, as Nicola Foulston, CEO, Rosenblatt, espouses on the next page.

The team at finnCap have had years of experience advising and acting on IPOs. For us, an IPO is a partnership that lasts far beyond the float itself; we tread that path alongside our clients.

It's a demanding process, but if going public is indeed the right route to growth funding for your company, it is also incredibly rewarding.

finnCap believes passionately in the power and clout that London's capital markets carry worldwide. A London listing such as on AIM is a global kite mark – not only does it give you access to diverse pools of investment worldwide, it is moreover a bold expression of resilience and confidence to investors in the future of your company.

Nicola Foulston

CEO, Rosenblatt

@RosenblattSols

What's life like, in real terms, after a company goes public on AIM? Does business change significantly? And what are the biggest benefits in the short term?

"We have been pleasantly surprised by the considerable increase in interest in us that the float generated" says Nicola Foulston, CEO of City law firm Rosenblatt. "We have seen a lot more cases come through the door, as well as people wanting to talk to us about litigation funding. And our pipeline of new business remains healthy and consistent with what we expected at the time of our IPO."

Nicola presided over Rosenblatt floating on AIM in May 2018, and the firm hasn't looked back on its decision. The UK legal services market is currently worth £32 billion and is expected to rise to £40 billion by 2021. It's a fragmented market made up of thousands of individual law firms, but Rosenblatt expects that structure to consolidate over the next decade.

The fundraising potential on AIM was such that it offered the law firm a unique opportunity to position it as a leader as the industry consolidates.

"We saw that the proceeds could underwrite more of our litigation portfolio, by increasing the number of cases we undertake," says Nicola. "We set up a separate subsidiary, Rosenblatt Litigation Funding Ltd, to give us the capability to take on more cases where there is a third-party cost element, thereby retaining the funding margin otherwise paid to an external funder."

The talent show

There is a fundamental advantage when it comes to finding and keeping talent, too. Typically, law firms subscribe to a partnership model; junior team members can face very slow career progression which restricts their earnings. The partnership model has benefited some lawyers, but the younger generation increasingly want more flexibility in their work rather than merely joining a set 'partnership track'.

"In a traditional partnership, it is common for a disproportionate profit share to be held by a small number of equity partners," explains Nicola. "This forces a large number of junior partners to achieve high billing targets compared to their salary, which can result in dissatisfaction.

"When we floated, all our partners re-negotiated their contracts, replacing their existing packages with equity participation through share incentives."

A float allows the company to offer greater equity participation to all members of staff. Equity participation through share incentives creates a more commercial, team-orientated culture, which in turn helps to attract and retain talent.

"Equity ownership is now a crucial part of our culture," says Nicola. "We have also been encouraged by the enhanced levels of productivity and focus across the company since the IPO."

Rosenblatt has enjoyed a strong start to life as a public company, with only its corporate division impacted by the uncertainty of Brexit. At the time of IPO, the strategy was to grow including through acquisition. Since the float, Nicola says they have been encouraged by the level of inbound enquiries received regarding potential acquisition opportunities, and hopes to complete an acquisition in the next 12 months.

Thinking of going public?

For founders considering listing on AIM, strategy is everything. There are many avenues to raising money in today's market and a CEO must be clear about whether the AIM route represents their best route to capital. One must consider whether the company is in fact suited to going public, which requires a certain level of resilience and robustness.

"Listing on AIM brings with it the associated pressures on delivering performance and high standards of corporate governance," explains Nicola. "Meanwhile, investors traditionally look for high income yield or capital growth stocks and you will need to consider whether you will be able to perform to these criteria.

"At the end of the day, a successful company on AIM is one that meets the expectations of its investors. If you're thinking of going public, the most important thing you can do is to set out your strategy for coming to market and be clear on the company's ability to meet its strategic objectives."

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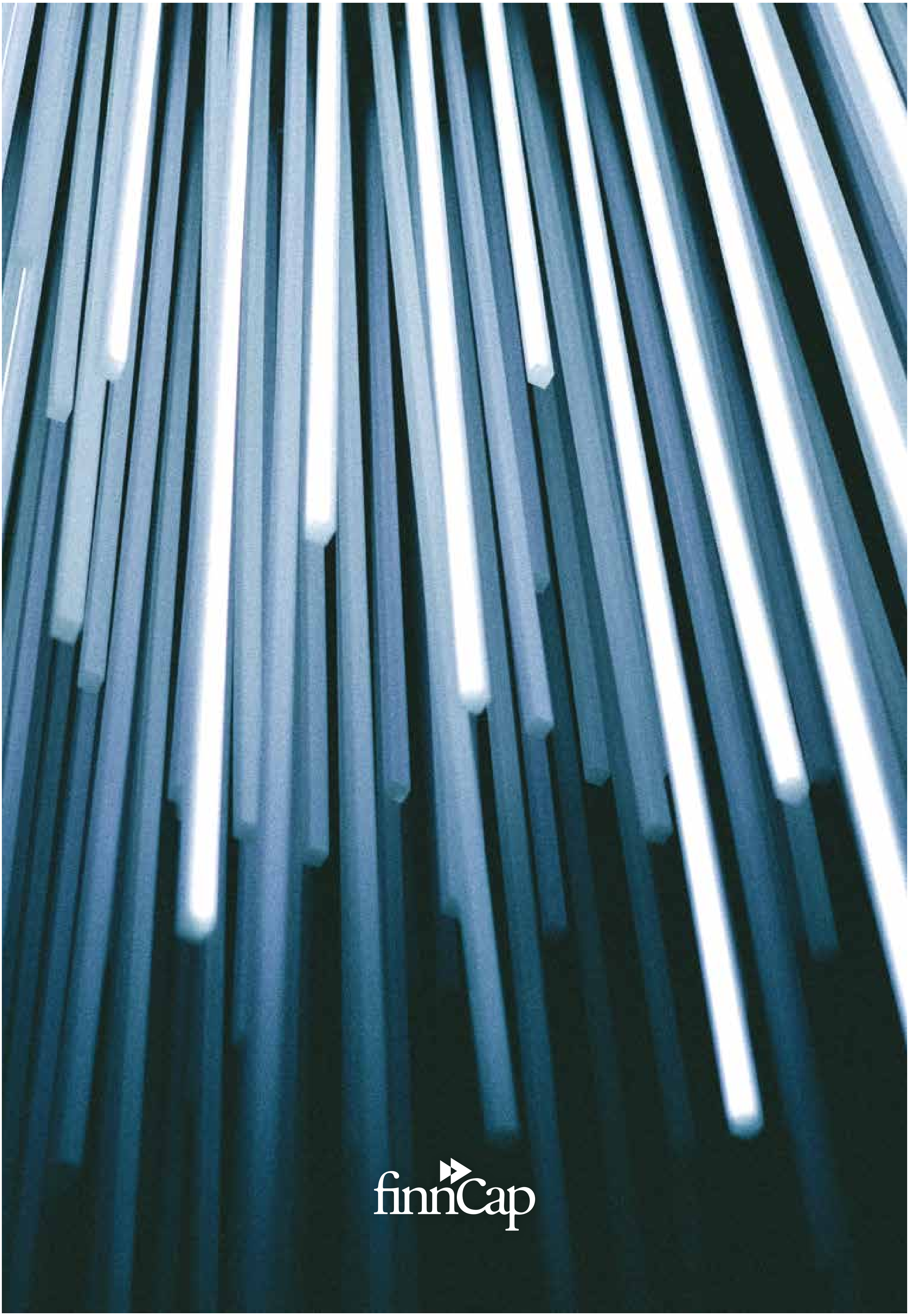
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