



# BVCA Digest

The latest research on, and insight into, private capital



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# Introduction

Welcome to the latest BVCA update on the private capital industry. This edition leads with the highlights from our new report from EY which details comprehensively, and for the first time in one place, the economic contribution of private equity and venture capital across the nations and regions of the UK.

The findings present an industry that is directly supporting 2 million jobs (or 6% of the UK's total jobs) – with over 50% of these outside London and the South East. The report also shows that PE and VC backed businesses delivered £102bn of GDP in 2021, approximately 5% of total UK GDP.

For the first time in two years, we were delighted to hold the BVCA's annual Parliamentary Reception again in May. Hosted by Gareth Davies MP, it was gratifying to see so many founders, investors, entrepreneurs and, of course, many parliamentarians from across the UK join us to engage in positive discussion about our industry.

It was encouraging to hear Minister for Science and Research, George Freeman MP, comment that "this sector is key to getting the country on a sustainable footing". Likewise, we were pleased

to hear Shadow Minister for Science, Research and Innovation, Chi Onwurah MP, saying that the Labour Party was committed to supporting private capital to ensure the UK remains a globally competitive financial centre and develops the economic opportunities from its science hub.

This event is one of many ways we are reaching out to you to demonstrate how private capital is driving growth in the UK's constituencies, regions and nations. If you are interested in hearing more about the companies in your constituency backed by private capital, please do get in touch and we would be delighted to set this up.

In this update we also provide you with a deep dive into private capital investment in Yorkshire and the North East of England. We highlight the story behind Maven's move to open an office in the North East to get closer to the impressive start up scene in this region, and we showcase Nova Pangaea Technologies, an exciting venture capital backed company based in Redcar, which is

powering the future of sustainable aviation fuels. In our regular policy focus, we have highlighted the pressing issues around the EIS and VCT sunset clause. Both of these schemes are essential in funding start ups outside London and the South East but (because of previous state aid rules) they are due to come to an end in 2025. We are hearing that investors are already being advised against supporting these schemes due to uncertainty about their future. So, it is essential that the Government gives its support to the continuation of these schemes now, to keep vital funding going into start ups in all the nations and regions of the UK.

With 2 million jobs supported by PE and VC, it is undoubtable that the industry is a mainstream part of the UK economy. The BVCA is here to help you understand more about the industry and our role in the UK economy. I hope this update helps you with this, and we are always keen to listen and answer any questions you might have about the industry and its role in driving innovation and economic growth across the UK.



**Michael Moore,**  
Director General, BVCA





# Private capital at a glance

## Key stats from recent reports:

### Job creation

**2m**

jobs supported by private capital in UK

### SME Investment

**9 in 10**

investments go to SMEs

### VC Investment

**96%**

of investments by VC alone are in companies with fewer than 50 people

### Investment across the regions

**66%**

of investments are outside London

### Job creation across the regions

**50%**

of jobs are outside London and South East England

### UK investment

**1 in 3**

investments made by BVCA members are in the UK

### 2022 VC investment

**\$7bn**

VC investment in UK in first 3 months of 2022 – 30% of European total investment

### FTSE All-Share comparison

In every year since 1991, PE and VC funds have outperformed the FTSE All-Share – making solid returns for pensioners in DB schemes in UK

### Pensions

If DC pension schemes could invest, pensions would be fairer for younger generations



# Supporting 2 million jobs across the UK

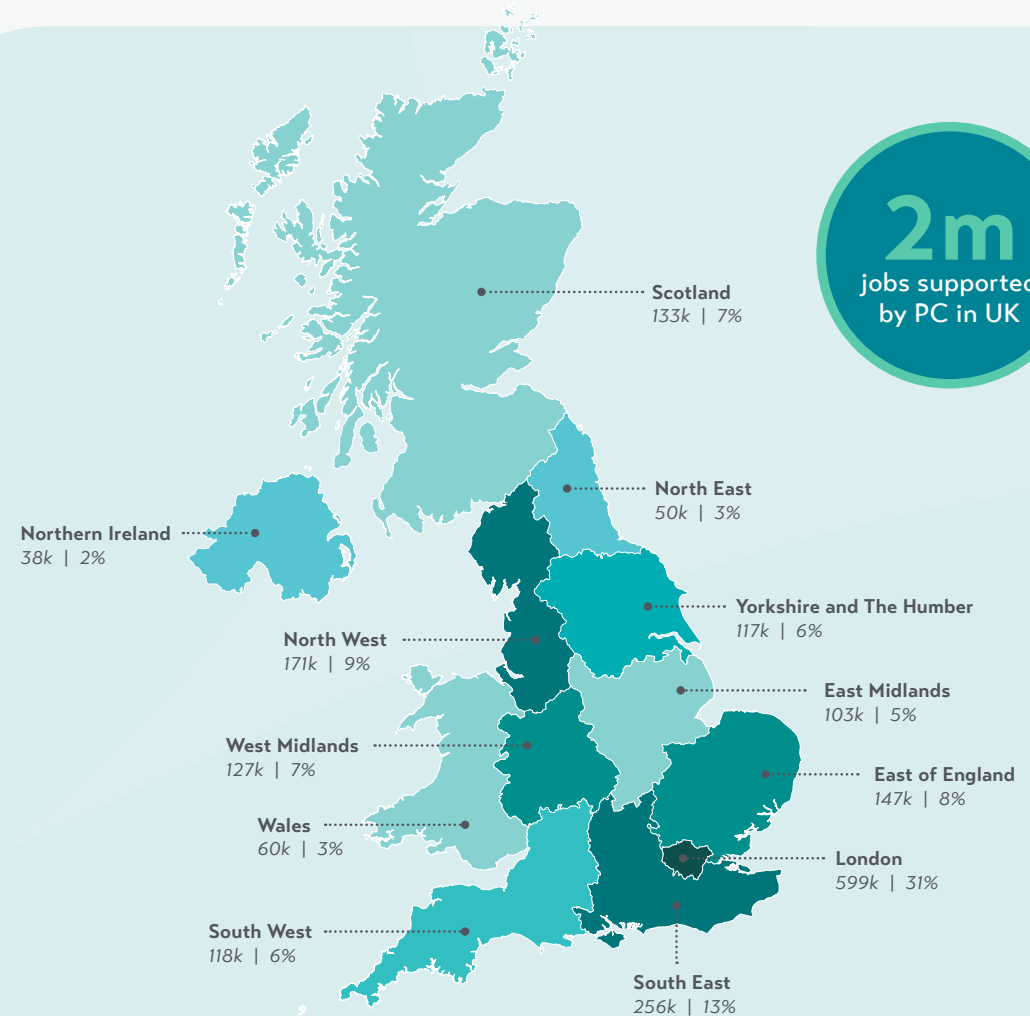
Private equity and venture capital are crucial to the growth of the UK, but their contribution to the whole UK economy had never truly been measured in one comprehensive study. The BVCA commissioned a new, independent report – produced by The Ernst & Young LLP (EY) QUEST (Quantitative Economics and Statistics) practice – to change that.

This landmark study provides a snapshot of the economic impact that private capital had on the UK in 2021. Findings include:

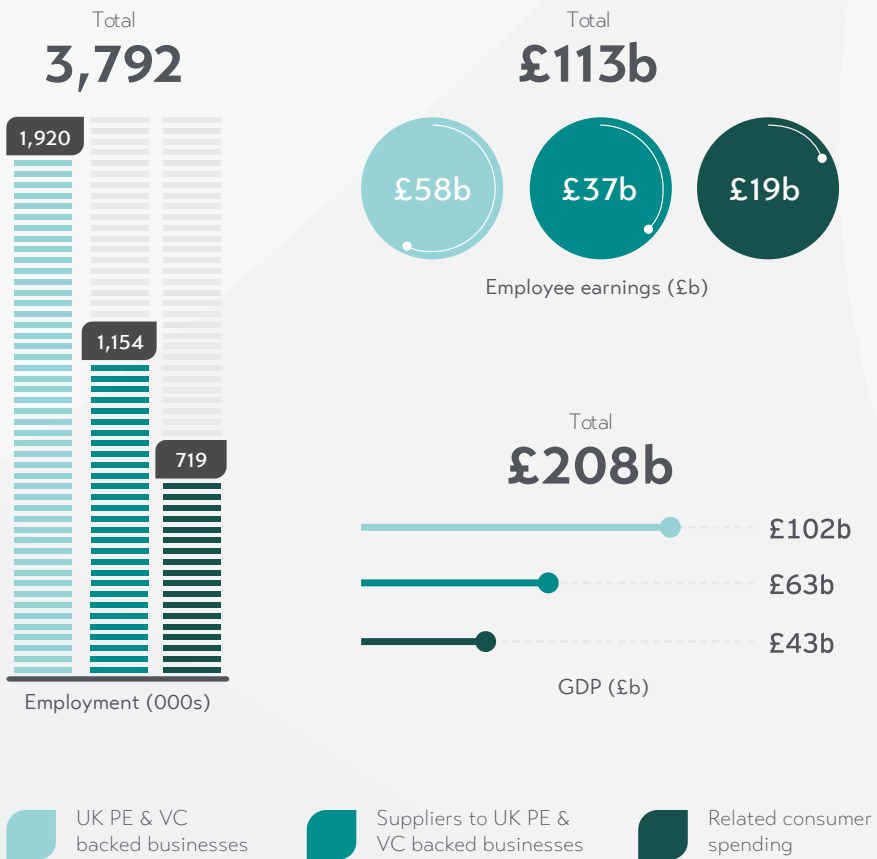
- Two million jobs are directly supported by PE and VC-backed businesses, or 6% of total UK jobs
- A further two million are indirectly supported through supply chains and consumer spending
- PE and VC-backed businesses contribute over £100bn to UK GDP, or around 5% of total GDP
- The businesses, jobs and sectors our industry supports are found in all corners of the nations and regions of the UK

Direct economic contribution of UK private equity and venture capital backed businesses in 2021, by nation and region

Thousands of jobs | Proportion of total UK jobs



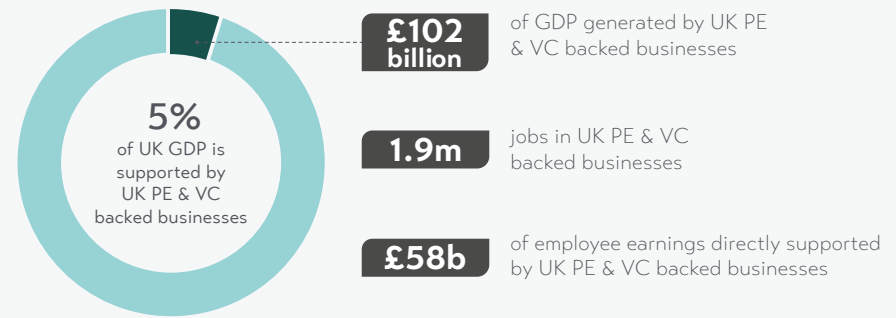
## Total economic activity of, and related to, UK private equity and venture capital backed businesses, 2021



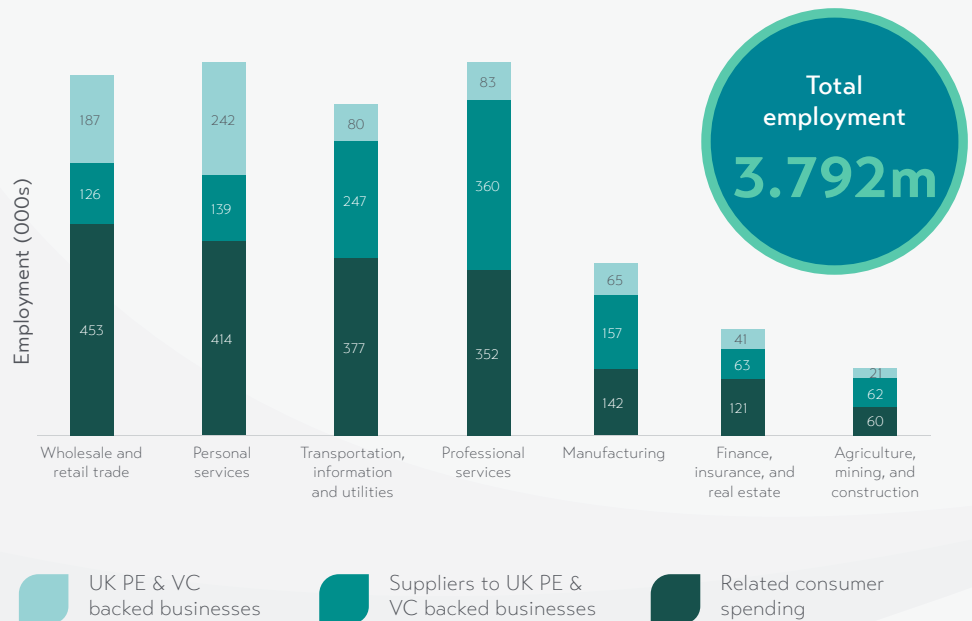
Note: Employee earnings is defined as gross earnings and is included within the total GDP figure. This analysis does not include private equity firms and venture capital firms. Figures may not sum due to rounding.

Source: EY analysis.

## Direct economic contribution of UK private equity and venture capital backed businesses, 2021



## Total economic activity by sector, and related to, UK private equity and venture capital backed businesses, 2021

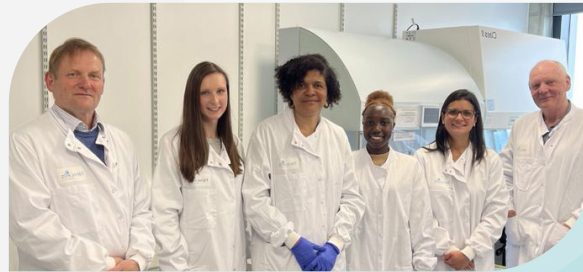


# Private capital in action in our nations and regions

The BVCA has worked with numerous MPs over the past year to introduce them to companies backed by PE and VC in their constituencies. This has allowed founders, entrepreneurs and CEOs of high growth businesses to speak directly to MPs about the impact of PE and VC investment, expertise and long-term view on their businesses. If you are interested in seeing private capital in action in your region or constituency, please contact [Mia Forti](#).



**BEIS Minister Paul Scully MP** meets AgilityEco, backed by BFM, in his Sutton and Cheam constituency



Shadow Science, Research & Digital Minister **Chi Onwurah MP**, visits Newcells Biotech backed by Northstar Ventures, in her Newcastle upon Tyne constituency



**Alison Thewliss MP** meets Murgitroyd, backed by Sovereign Capital, in her Glasgow Central constituency



**Esther McVey MP** meets APS Salads, backed by BGF, in her Tatton constituency



**Julie Elliot MP** meets Clearly Drinks, backed by North Edge, in her Sunderland Central constituency



**John Lamont MP** meets BSW Timber, backed by Endless, in his Berwick, Roxburgh & Selkirk constituency





# Investment at work in North East England

Focusing in on the North East of England and Yorkshire, recent BVCA analysis showed that our members invested almost half a billion pounds in the region in 2020 (the most recent year for available statistics) – supporting 168 businesses.

We took Mayor of Teesside, Ben Houchen, to visit one of these businesses – Nova Pangaea Technologies, which have been backed by Par Equity and Mercia (both major regional business funders), amongst others.

Based in Redcar, in the old ICI plant, which used to employ 50,000 local people in its prime, Nova is part of a growing breed of new, UK-based, cleantech companies which are paving the way for Net Zero. They take unwanted plant biomass or offcuts – such as sawdust – and convert it into sugars. The sugars can be fermented into bioethanol for sustainable aviation fuels, and the biochar replaces coke within sectors such as the steel industry to create green steel and is considered carbon neutral.

In Aug 2021, Nova was one of eight winners who were chosen to take part in the Department for Transport (DfT) Green Fuels Green Skies project. NPT has since partnered with British Airways and LanzaJet (Project Speedbird) to deliver 113 million litres of sustainable aviation fuels in the UK. Project Speedbird is halfway through the feasibility study, which began in October 2021, and will conclude in 2022.



**NOVA PANGAEA**  
TECHNOLOGIES

**CEO of Nova, Sarah Ellerby explained to Ben Houchen the value of her private capital backers to the future growth plans for her innovative business:**



*“Without the ongoing commitment from our current investors, it would have been extremely difficult to deliver the technical and commercial traction thus far. The investment from Par Equity supports the next phase of our commercial strategy which is the scale-out of our existing plant to commercial production, right here on Teesside. This will showcase Teesside as a global leader in industrial decarbonization, something which is only achievable if we continue an alignment of private and public sector investment in net zero enablers like Nova Pangaea Technologies.”*





# Yorkshire, the Humber & NE England in numbers

**168**

**companies**  
supported in 2020

**36**

**BVCA members**  
invested in the  
regions in 2020

**£480m**

**invested** by BVCA  
members in 2020

**9 in 10**

**of businesses**  
invested into were SMEs

**13%**

**of UK businesses** receiving  
investment from BVCA members  
in 2020 were in Yorkshire &  
North East England



# Boots on the ground in the North East

## The story behind Maven's North East offices

**Private equity firm, Maven, is one of the UK's most active SME investors, with a strong track record of helping hundreds of management teams to achieve their business ambitions.**

With offices in over 11 key cities around the UK, they're also one of the most geographically diverse in their operations. The BVCA spoke to Maven's Michael Vassallo – the firm's North East investment team lead – about the decision to open offices in both Newcastle and Durham.

**BVCA: When did you open the offices and what were the driving factors behind the decision to do so?**

**Michael:** We opened both offices towards the end of 2017. There was regional fund money available – through the North East Development Capital Fund and Durham County Council's Finance Durham Fund – and, as we operated a regional fund manager structure elsewhere, we knew that to get that money into the many growing businesses the areas have to offer, a physical presence was a must. It just made sense.

**BVCA: What benefits have you seen from opening offices in Durham and Newcastle?**

**Michael:** Regional investment and support is one of Maven's core values – we absolutely believe that the most effective way to build strong relationships with management teams is to operate at a local level. By opening these offices, we're obviously much closer to the local market and have considerably better access to deals – meaning we can complete more of them.

It has also allowed us to really get to know founders and those running the businesses we want to invest in, and we find that allows us to be much more precise in the support and advice we give. And the results speak for themselves – since we opened these offices, we've invested £33m into 31 small or medium sized businesses, which accounts for almost 1,000 jobs.

**BVCA: Are there any particular sectors you see coming through strongly in Yorkshire and the North East?**

**Michael:** Tech, for sure. There's a massive tech sector in Newcastle that's growing day by day, supported by very high-quality developers coming out of local universities.

We're seeing that lots of London-based tech businesses are setting up second offices here too. Manufacturing is still a big sector, as is support services, but start-ups looking at renewable energy are also gathering momentum rapidly. That's definitely one to watch.

**BVCA: Have these offices helped Maven, and your portfolio businesses, weather the pandemic?**

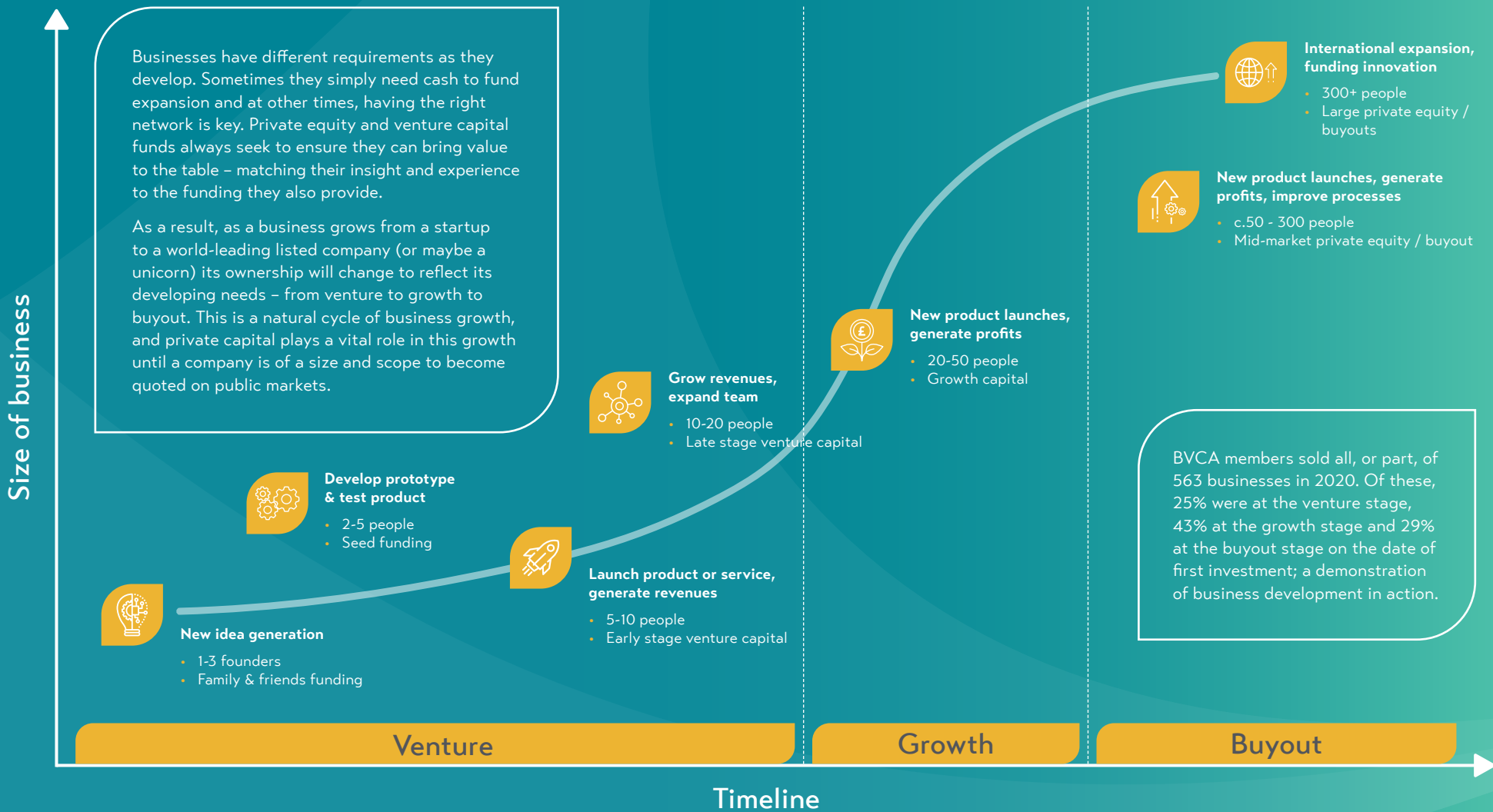
**Michael:** Without a doubt. While restrictions meant we couldn't check in physically with the firms we support, we had already built such solid foundations. When you already have that in-person rapport, it translates to calls much more easily. Being located in the area also made any logistics easier during the pandemic – if one of our businesses faced any issues, we already knew where to go and where to source things to fix it. And all of this meant we rebounded very quickly in 2021, a record year for us in the North East.



**Michael Vassallo**  
North East investment  
team lead, Maven



# Helping small businesses grow



This chart is illustrative only – firms in different parts of the industry may operate in more than one part of this investment spectrum, depending on their fund strategies.





# Bringing the funders and founders to parliament

In June we brought 30 companies backed by private capital to meet with MPs and Lords in a reception on the House of Commons Terrace. These companies spoke passionately about the value of the investment, expertise and long-term view private capital brought to their businesses.

The event was hosted by Gareth Davies MP, with speeches from Science, Research and Innovation Minister, George Freeman MP and his Labour shadow Chi Onwurah MP. Both outlined their party's support for the role private capital plays in building up the businesses, technology and innovation which will deliver growth in the UK and tackle some of the biggest challenges facing society, such as climate change.

**Howard Taylor, Chief Executive at Rosemont Pharmaceuticals said:**



*"Inflexion brings a number of strengths to our business, firstly a challenging mindset stimulating management to think about being more ambitious. They are agile but approachable. We knew what we wanted to achieve with business, it was just being given the playing field to actually bring it to life, and the Inflexion relationship has allowed us to do that."*

**Ian Walch, Managing Director at Sewtec Automation said:**



*"Whilst at its core, the business is unchanged – we still have a brilliant team of leading engineering minds inventing complex automation solutions; most other elements of the business are unrecognisable to what they were before the Endless' involvement in 2017. From our fantastic new operations, with our ever increasing highly skilled team and expanding global customer base we are very excited about the future for Sewtec."*



# Policy spotlight: EIS, SEIS and VCTs

The combination of EIS, SEIS and VCTs are vital parts of the early stage and growth investment ecosystem. SEIS allows for very early stage, EIS provides for a further advance in maturity and VCTs for further scale up. All of these reliefs play a vital role for a whole range of smaller, entrepreneurial companies in securing the funding that they need.

As a condition for EU state-aid approval, the 2015 Finance Bill contained a sunset clause that would restrict EIS/VCT tax relief to shares issued before 6 April 2025. As this sunset clause end date approaches, and without clarity on what is going to come after, we are hearing many examples of where individual investors are being advised against EIS and VCT investments. This will have a knock-on effect on investment – particularly for start ups outside London and the South East.

The solution is for HMT to back small and start-up businesses by removing the sunset clause and renewing the schemes. Crucially they need to state their position as soon as possible to avoid creating further uncertainty in a sector that is vitally important to continued growth of the UK.

Further detail can be found in our response to the Treasury Select Committee Inquiry into VC in June 2022, and the BVCA is working closely with the EIS Association, VCT Association and others to ensure the industry speaks with one voice on this issue.

Access Pay is a Manchester-based payment automation provider offering solutions to simplify and digitise the many manual processes faced by finance departments.

Established in 2012, AccessPay has seen yearly growth, with particularly rapid momentum post-2015. As corporate client numbers closed in on 500 and transaction volumes increased into the tens of millions, the need to scale-up became paramount. This led AccessPay to look a venture capital partner with the funds and Tech / FinTech expertise to help it scale, and Beringea, a transatlantic venture firm who focus on VCT funds in the UK, led a £9million round in 2018, representing one of the largest ever investments in a Northern FinTech company.

With Beringea on board, AccessPay was immediately able to scale its infrastructure, ensuring the utmost security of the sensitive data it handles. The investment also allowed for product development and the acquisition of local talent - taking current employee numbers up to 80.

*“Beringea has recognised the challenges the current financial services model poses for treasury teams and the opportunity it presents for AccessPay to grow its market share, in the UK and beyond, and is helping us with our mission of transforming the landscape.”*

Anish Kapoor, CEO, AccessPay



**The private equity and venture capital industry's contribution to public value in the UK can be explored further in these reports:**

*Measuring the contribution of private equity and venture capital to the UK economy in 2021*

*Nations & Regions: Yorkshire, the Humber & North East England*

*Investing with Integrity*

*Performance Measurement Survey 2020*

*Performance and Public Market Equivalent Report 2020*

*10 Steps to Net Zero: Private Capital in Action*

*New Horizons*



