

TOP 10 UK GROWTH STORIES

01 ADYEN

SECTOR: **Online payments technology**
FUNDING: **Series B**

What's it like to raise a quarter of a billion dollars in one go? Pieter van der Does can tell you. In December 2014 he rustled up \$250 million in a giant series B round valuing his company Adyen at \$1.5 billion. The round was led by General Atlantic, with support from Felicis Ventures and Temasek Holdings. "We did it in a month," says Mr van der Does. "We did a single trip to the US, one to the East coast, one to the West. We had a deck and negotiated with two companies." A little later Iconiq, backed by Facebook founder Mark Zuckerberg and Twitter founder Jack Dorsey, joined. The deal was simple, says Mr van der Does, because he didn't need the money. "It is when you desperately need money it is difficult," he says. Adyen was profitable and growing fast. The deal gives the company the balance sheet to win contracts with blue-chip brands. "\$50 million doesn't impress them," he says. "\$250 million will." Furthermore, the huge sum means he won't need to raise funds again. His tip? Give all shareholders than same class of shares. No milestones or preference shares. "We are all equal. What is good for one is good for all," says Mr van der Does.



02 GIGACLEAR

SECTOR: **Broadband technology**
FUNDING: **Euro-loan**

Getting fast broadband in some rural areas can be a joke. Anything over 8Mbps is considered a distant dream – which is where Gigaclear comes in. This young company specialises in installing blistering broadband into the trickiest of territories. For example, the village of West Haddon in Northamptonshire has just had the Gigaclear treatment, giving households 750Mbps downloads. It beats central Tokyo. Gigaclear got the money to expand via a European Investment Bank (EIB) loan of €25 million (£18 million) to add to almost £50 million it raised through private equity. So how did founder Matthew Hare get the EIB cash? "We started with an application form," he says. "Then the EIB did due diligence, which took two days. Because we had already raised investment from private equity, we had the documentation, which saved time." The EIB money is a loan, not a grant, but is thought to be at preferential rates. The EIB reserves these loans for infrastructure projects which will improve Europe's business capabilities. The cash means Gigaclear can accelerate its fibre-to-the-house programme to 60,000 homes by the end of the year.



03 CARWOW

SECTOR: **Car retail**
FUNDING: **Seed, series A and B**

The classic way to fund a startup is through seed funding, followed by further rounds of venture capital as the business grows. Carwow is a textbook case. James Hind launched Carwow in 2013 as a concept allowing car dealerships to bid for the right to sell a vehicle to a consumer. He got up and running with £230,000 in funds from friends and family. Then came seed finance of £1.3 million in February 2014 led by Balderton Capital, with Episode 1 Ventures, Samos Investments and angel investors, including the founder of Zoopla, taking part. In December 2014 came the series A round with £4.6 million. Then in January this year a series B raised £12.5 million, led by Accel, which backs Dropbox and Spotify. Carwow now has one million registered users and has sold half a billion pounds-worth of cars. "My tip is drum up competition," says Mr Hind. "You want multiple offers so VCs [venture capitalists] need to improve their terms." Competition also meant he could pick the VC houses he liked, rather than the one offering the most cash. The VC money, mostly spent on marketing, has made Carwow one of the outstanding dotcoms of recent years.



04 FC LASER

SECTOR: **Laser-cutting engineering**
FUNDING: **Government grants**

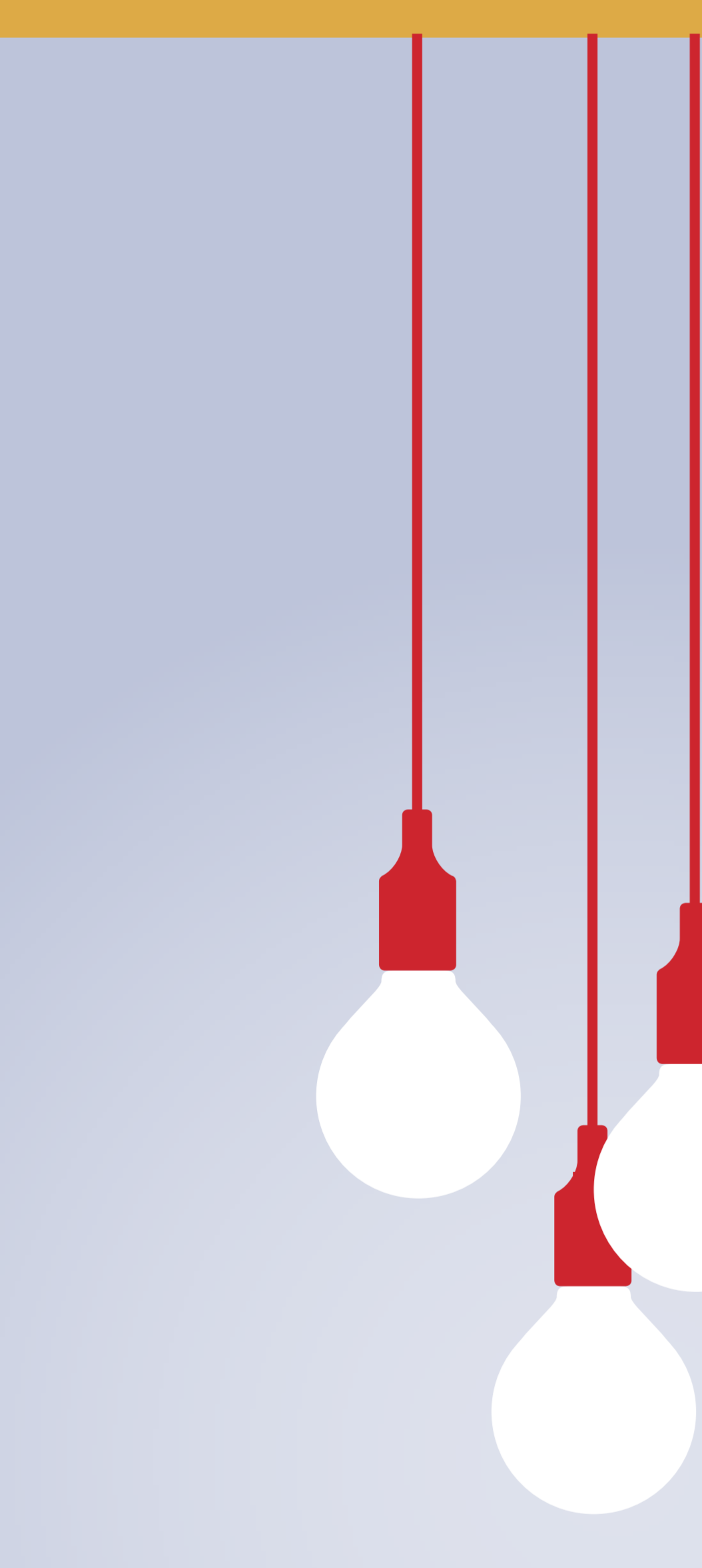
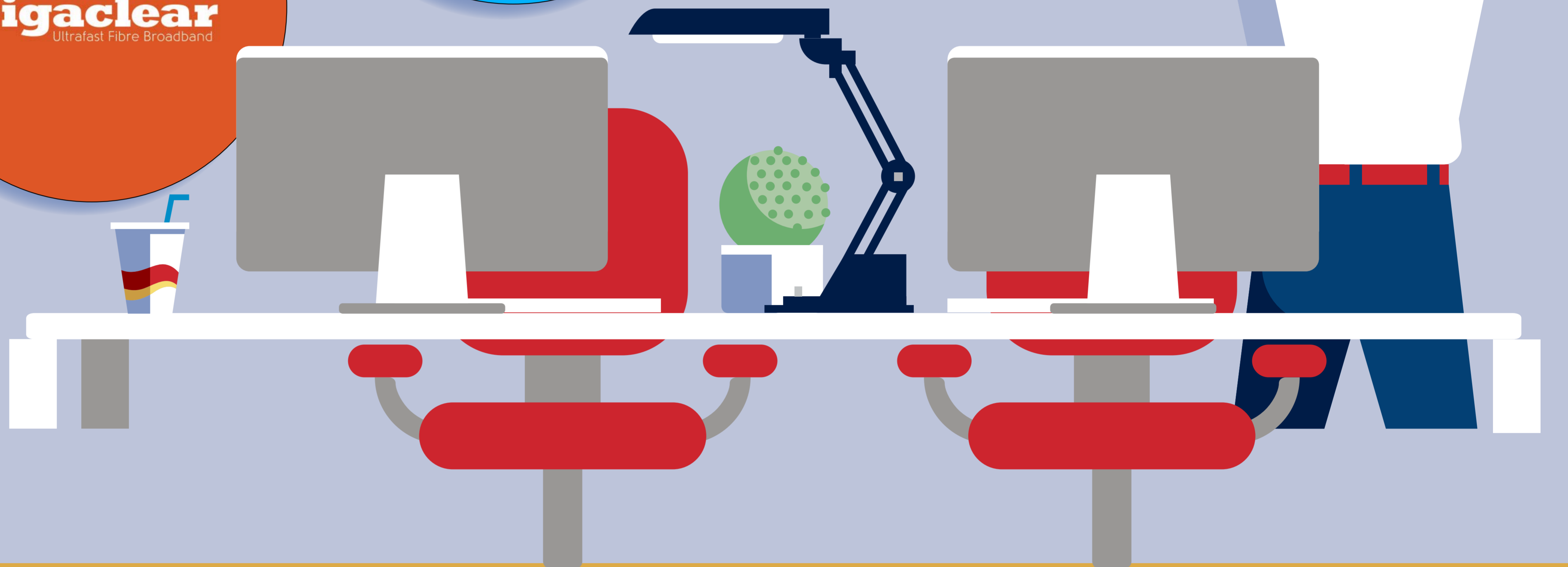
Grants are a vanishing concept. In ye olde days, students would get cash in hand from the state no question asked. No more. But it is possible for businesses to land a grant. Just ask Danny Fantom, managing director of FC Laser. He bagged no fewer than three grants to buy hardware for his company. "I started my business in 2012," he says. "The first round of Regional Growth Fund [RGF] helped me purchase my first laser. Lombard, part of RBS, handled the transaction. The process was extremely easy. It came to down to how many jobs I could create." The £54,000 helped Fantom buy a Bystronic laser machine. In 2013 he got £66,000 for a second machine. "That round of RGF went through local government bodies. They took 10 per cent of the money and cost me 4 per cent in admin costs. I was not happy." Third round was with Lombard again and secured him £82,000. And the jobs? "We now employ 31 staff and five apprentices," says Mr Fantom proudly. It is vital to note the grant only part-funded the machines which retail at more than £300,000. The rest is funded in instalments. "We did £2.7 million last year and this year will do £3.2 million," adds Mr Fantom.



05 ARGON

SECTOR: **Food**
FUNDING: **Pension-led**

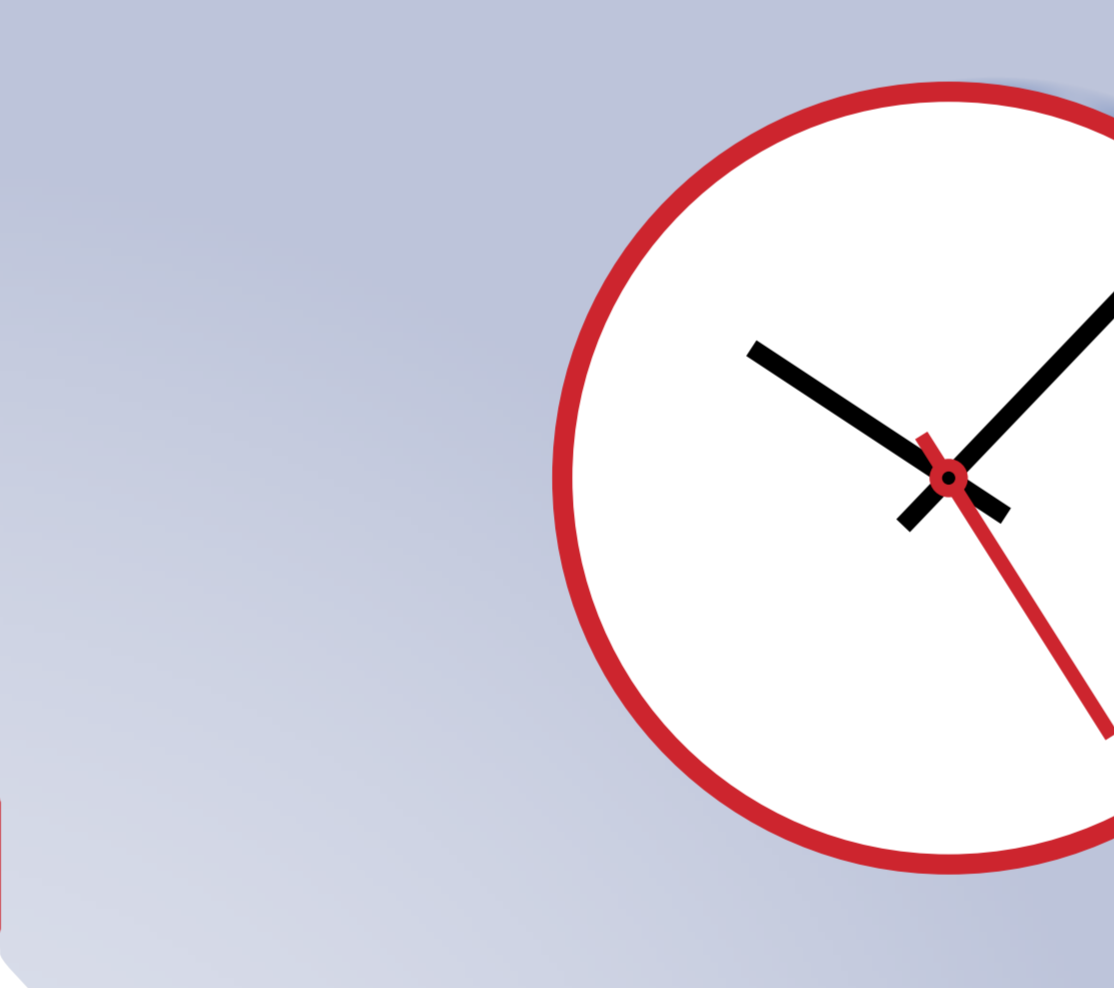
Pension-led funding is one of the most obscure types of finance. "I'll be honest, I'd never even heard of it," recalls Andrew Gidden, who recently used the method for his chocolate bar company Argon. Mr Gidden founded Argon in 2009, making the Giddy brand for supermarkets. It was a smash hit from day one. The only problem was lack of growth capital. "Banks didn't want to know, no matter what growth or profit I showed," he says. Solution? "A leaflet landed on my door about pension-led funding. I called the number." Pension-led funding meant Mr Gidden could borrow from his own pension funds as a loan. He then pays back with interest. "It was a risk, but I didn't have a choice," he says. Besides, he had solid orders from retailers. He saw it as a safe bet. The deal, arranged by Clifton Asset Management, allowed Giddy to soar. "We are even expanding to Australia with the money," says Mr Gidden. "If you have an idea you really believe in, then pension-led funding is a no-brainer."



06 GOOD & PROPER TEA

SECTOR: **Beverages**
FUNDING: **Kickstarter and Crowdfunder**

Kickstarter is a weird sort of cash cow. Members of the public throw money at projects for little in return. Film-maker Martin Durkin is currently using Kickstarter to fund *Brexit: The Movie*, with backers getting a credit at the end of the film or an invitation to the premiere. Emilee Holmes used Kickstarter for her premium tea concept Good & Proper Tea. "I had no confidence it would work," she says. "Why would people give me money for no rewards?" For £15 in cash supporters got two packs of tea. Bigger donors got their names painted on her van. Top prize of £1,000 was free use of the van. "It went to a school sports day," says Ms Holmes. The cash rolled in, she hit her target and the business was launched. Round two was Crowdfunder. This website swaps shares in the business for cash. "We targeted £140,000 and hit £180,000, which was our cap," says Ms Holmes. She gave away 18.7 per cent of the business. Costs were £2,500 in fees and 5 per cent of funds raised to Crowdfunder. Good & Proper Tea now has its first shop in London's Old Street, with a second to come. An online venture sells teas around the world.



07 HECK SAUSAGES

SECTOR: **Food**
FUNDING: **Self-funded and venture capital**

It is vital to consider the downside to funding. And who better to offer a warning than Andrew Keeble, who endured a miserable experience with his wife Debbie with their first company. Their brand, Debbie & Andrew's, was sold to a large food manufacturer in 1999 and the couple were unhappy with becoming employees under a five-year earn-out. "We lost control over what went into the sausages and we felt very uncomfortable. We felt like we were misleading customers," says Mrs Keeble. So for their new business, premium sausage brand Heck, the Keebles self-funded with a quarter stake sold to Panoramic Growth Equity. "Private equity can be called 'vulture capital,'" says Mr Keeble. "Not for us – it's been positive." Panoramic has introduced structure to the business, including monthly board meetings, and contributed a chairman. This time the Keebles plan to keep control. "We may buy back the Panoramic share in a few years' time." The deal has certainly worked. Heck should grow sales from £5.7 million last year to a forecast £16 million this year.



08 HOPSTER

SECTOR: **Media**
FUNDING: **Angel, British Business Bank**

Traditional TV is dead to kids. They watch what they want on tablets or phones. The challenge for parents is to police this viewing. It's a few clicks from *Peppa Pig* to a j-hadi beheading on YouTube. Hopster is an app for young children that offers only wholesome, vetted, ad-free content on tablets and phones for £3.99 a month. Founder Nick Walters won Great British Startup Entrepreneur of the Year last year for his idea. Hopster is now the top-grossing kids' app in the UK. "Our first funding came from family and personal friends. We raised a few tens of thousands, which takes you further than you think. Technology is so cheap these days," he says. A later angel round paid for the launch. Mr Walters pitched at a London Business Angels event in a seven-minute speed pitch. He closed with ten investors and then got match funding from the government's angel co-fund, part of the British Business Bank. A third round, led by Sandbox & Co, has taken Hopster to the mass market. This method means handing over equity. "You have to ask whether you want 100 per cent of something smaller or a smaller percentage of something big," says Mr Walters. Now he's using the funding to expand globally to 80 territories.



09 TALON OUTDOOR

SECTOR: **Billboard advertising**
FUNDING: **Self-funded**

Not all businesses rely on external funding to succeed, so it's worth mentioning a star performer which is growing gangbusters the organic way. Eric Newnham bought Talon Outdoor in 2012. The company makes it easy for advertisers to buy space on billboards. Since then he's grown billings to £107 million, with £8 million in fees, landing Talon inside the top ten in *The Sunday Times Fast Track 100* rankings. "Not all businesses are heavy on cash," says Mr Newnham. "We don't have physical assets. It is a people business." It's not that he disapproves of equity funding or other methods; far from it. Mr Newnham doubles up as a successful investor in startups through Ballpark Ventures, which injects £50,000 to £100,000 in early-stage companies in deals of £450,000 in total. "Startups need cash. With Talon we used the proceeds from my previous business I sold. What you don't want to do is run out of money. There needs to be some safety in what you are doing," he says. The key to success is founders who can work together. "Ideas don't have to be original. It's the team that matters. You can't do it if you don't get along."



10 SMARTER

SECTOR: **Internet of things technology**
FUNDING: **Invoice discounting**

Technology has radically improved the way companies can improve their cash flow. One of the best examples is the new generation of internet-based invoice discounting platforms. MarketInvoice was the pioneer here, launching in 2011 and having funded more than £500 million to date. Users range from blue chips to startups who value the ability to turn outstanding invoices into quick cash. Inventor Christian Lane uses invoice discounting to keep his "connected kitchen" startup cash liquid. "We have no funding," reports Mr Lane. "So being able to use an invoicing scheme has been a real lifesaver." His company Smarter makes an internet-connected kettle which can be boiled via a smartphone app. It launched in 2013 and became a media sensation. "It was a bit gimmicky, but we knew that we had a real business on our hands," he says. Now Mr Lane is launching a fridge webcam, so users can view its contents from anywhere in the world and a Fitbit-connected coffee machine. He says banks offer cheaper terms for invoice discounting, but MarketInvoice is more flexible. Distribution companies hand over cash in bulk, so the method is essential. "It's helped us invest in software and staff, and funded our production. We wouldn't be where we are without it."

