

Tees Valley in focus



Tees Valley hosted NEF's Meet the Investor event

A manufacturing facility that makes chemicals from waste and a company with a revolutionary health product are among a growing number of Tees Valley businesses to reap the benefits of Finance for Business North East investment.

So far, around 25 ventures within the region have received a slice of the £30 million invested but North East Finance (NEF) is keen to for more to follow and hosted a 'Meet the Investor' event in Middlesbrough earlier this month to help drive SME growth in the area.

Around 100 guests were at Teesside University's Queen's Campus for the special event, which attracted a host of big hitters from the investment

community, and was hosted by NEF in partnership with North East Access to Finance and the Endeavour Partnership.

NEF is looking to increase the number of investments being made into business ventures across the Tees Valley and hosted the evening to give SMEs and business intermediaries an opportunity to impress investors with their ideas and find out what they look for in an investment.

They also had an opportunity to speak with members of the NEF Advisory Board – a number of whom hold key positions in the British Venture Capital Association – as well as a number of other heavyweight investors.

Andrew Mitchell, chief executive of NEF, said: "The Finance for Business Fund has been actively investing for nearly two years now. We've made many excellent investments in Tees Valley businesses such as Femeda, CCE and Solvert and we're keen to make more."

Femeda, CCE and Solvert are recent beneficiaries of investment from the Finance for Business Fund. Femeda is developing groundbreaking health products, CCE is creating technology that will improve fuel efficiency and cut emissions in power plants, and Solvert hopes to develop the UK's first manufacturing facility to produce chemicals from domestic and commercial waste.

Andrew added: "We want to build the pipeline of deals we have here in the Tees Valley to really drive economic growth and encourage businesses, whether starting out or already well established, to reach their potential."

"This can hopefully help to encourage the development of a diverse local economy in Tees Valley, alongside more traditional industries.

There are some fantastic emerging sectors around biomass, Digital City and Boho and we need to reach out to people in these sectors."

Powerful idea

Gerard Armstrong from Combined Cycle Enhancements (CCE) was one of the businesses at North East Finance's 'Meet the Investor' event at Teesside University.



Gerard Armstrong of CCE

His business, CCE, is one of the latest exciting businesses to have received backing from the Finance for Business North East Funds.

The Tees Valley-based business has recently received an investment of £100,000 from

Northstar's Proof of Concept Fund towards the development of pioneering technology that can be used to improve fuel efficiency and cut carbon emissions in power plants.

Gerard explains: "The Proof of Concept Funding

has been essential and has enabled us to put our ambitious business plan into action.

"North East Finance's event was an opportunity for me to explain to other businesses just what a difference it is making and really help people understand how the process works."

CCE has developed a groundbreaking process upgrade for gas turbine cooling systems that can be applied to combined cycle power plants to reduce fuel consumption.

The technology uses heat from the turbine cooling system to increase the efficiency of the power plant and can be used in industrial scale power plants for both retrofits and new installations.

The upgrade should help power plants to achieve a fuel saving of up to 2 per cent, depending on specific configuration and pay for itself within two years.

Gerard added: "It's an exciting innovation with global potential. There are two key revenue streams: existing plants and new build power plants. In the longer term we will explore licensing agreements to allow new builds to use our technology but at the moment we're focussing on the sizable opportunities in retrofit installations."

On the road to success



Darren Jobling, chief operating officer, Eutechnyx

Gateshead games developer Eutechnyx was the first company to receive investment from the Finance for Business North East Fund in April 2010 when it gained backing of £650,000 to help its expansion into the free-to-play games market.

Eighteen months on and the company is riding high. It has just landed a further £1.8m from the Regional Growth Fund to assist in the setting up of a publishing operation for its innovative Auto Club Revolution racing game plus car enthusiast community early in 2012.

Chief operating officer Darren Jobling is in no doubt about the impact of the Finance for Business funding on his business, which is the world's leading independent developer of driving games.

He explains: "We've been in business for over 20 years and this is by far the most exciting development in the company's history. It's enabled a real step change in the business and has moved Eutechnyx on to the next level."

"Northstar was intrinsic to this process. They were very quick to spot the potential of the online gaming market and immediately saw what we were trying to achieve with Auto Club Revolution."

"Their expertise in attracting co-investment from Europe's leading tech VC, Prime Ventures has helped us reach the exciting stage we're at today."

The development which is so exciting for Eutechnyx is closed beta testing of its

groundbreaking Auto Club Revolution game (see AutoClubRevolution.com). The free-to-play game allows users to collect, customise and race top-of-the-range virtual cars with all the latest technology.

Eutechnyx used the investment it received from Finance for Business North East – which was part of a £6m funding round – to develop a publishing operation for its new game and to take on 20 new staff. It now plans to add an extra 190 workers to its worldwide operations with the backing of the Regional Growth Fund.

Darren adds: "The games industry is undergoing the same revolution that music underwent with the advent of the iPod and digital distribution of content. There is currently an excellent window of opportunity for content creators like ourselves to go direct to our consumers with great products."

"A game like Auto Club Revolution enables us to retain all the value of what we create. Game players buy cars and virtual goods from us, creating a continuous revenue stream. This is great for the company and our employees."

"It's the biggest growth area in online gaming and we're in a strong position to be at the forefront of this market as it emerges."

News round up

Making a social impact

The BALTIC, Gateshead recently played host to the North East launch of the Social Impact Co-Investment Fund.

The Social Impact Co-Investment Fund, managed by FSE Group, aims to enhance the supply of funding to the social enterprise sector.

The national fund provides loans of between £25,000 and £100,000 to social enterprises on a match-funding basis alongside investment from private sector sources, such as angel investors.

The fund will encourage the active participation of the business angel investor, who as well as

money, will bring skills, experience, contacts and time commitment to the business.

The launch of the fund attracted social entrepreneurs, advisors and investors from across the region. Business angel Jeremy Middleton and Sally Goodsell, chief executive of the FSE Group, were keynote speakers.

Regionally, Finance Tree is a key North East regional partner working with the FSE Group to help companies in the North East of England access the new Social Impact Co-Investment Fund.

Matched funding, which can be in the form of equity or loan investment, from private sector sources must be provided, of a sum at least equal to the level of the loan from the Fund.

Where the Fund considers the social impact and commercial viability to be strong, it will seek to work, via partners, to assist the applicant in identifying and securing the required angel investment.

www.entrust.co.uk

New faces for fund managers

Several new appointments have been made by the fund managers responsible for investing the region's £125m Finance for Business portfolio.

Rivers Capital Partners has recruited Nottingham University PhD graduate Michael Dickens and Nikita Bazko, a Newcastle graduate and specialist in finance risk management.

The pair will help the company to manage the £1.5m it has already invested in 15 businesses

through the Angel Fund as well as the remaining £6m it still has to invest.

Marion Bernard has also left her post as chief executive of Northstar. She has taken up a senior post with the £2.5bn Business Growth Fund. North East Finance wishes to thank Marion for her achievements and wishes her every success with her new role.

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Peter Gilson (Entrust) and Dawn Dunn (North East Finance) with Janis Green (centre) from Pebble.

Microloan fund on a roll

Full story on page 3.

Newcastle software developer Pebble has become the 100th company to receive backing from the Microloan Fund.

Building a legacy

By Andrew Mitchell,
chief executive,
North East Finance

I am often asked about the destination of the investment returns we generate from the seven funds. In particular, how we plan to cater for future generations of high growth businesses once the current programme ends in December 2014?

The responsibility for utilising this legacy will rest with another regional organisation - North East Access to Finance (NEA2F) - headed by Hugh Morgan-Williams.

Whilst Hugh and his colleagues play no role in the delivery of the current Finance for Business North East (JEREMIE) programme, and we have entirely separate Boards and management teams, they will ultimately receive the capital returns from the programme.

As the Finance for Business managers realise their stakes in the region's SMEs, the priority will be to pay back the European Investment Bank (EIB), which provided over £60m for our programme. Once the EIB has been repaid, Hugh's organisation will have an important role to play in the development of new funds as investment returns are released to their regional legacy programme. This process is likely to gather pace in the second half of the current decade.

It is, of course, important that there is no confusion between the role of NEF, which has full operational responsibility for the North East JEREMIE programme and NEA2F, which will be the legacy beneficiary.

For this reason, Hugh and his colleagues are precluded from having any operational involvement whatsoever in the management of the JEREMIE funds and NEA2F has moved to Gateshead Riverside to ensure that this legal separation of roles is mirrored in terms of their physical location.

Whilst waiting for the legacy funds to flow through, Hugh and his team are working to support growing businesses with investment readiness programmes and business angel development work. They will eventually take over responsibility for managing the wind-down of a number of funds from the last decade, such as the NEIF funds managed by NEL in the 1990s. They have also published a finance directory for businesses seeking funding in the region.

We wish them luck with their work and look forward in due course to providing them with the financial firepower to secure future generations of investment funds.

Investments gather pace

Buoyed by the launch of a new fund dedicated to small businesses, the Finance for Business North East programme continues to make its mark on the region and is on target to have made in excess of 300 investments by the close of 2011.

The Microloan Fund, which is being managed by Entrust, was added to the portfolio in the summer and now sits alongside the six other active funds in the £125m programme.

The £5m fund has already made a real difference for many local businesses with a raft of companies benefitting from the small loans available.

Offering loans and investments of between £1,000 and £25,000, the Microloan Fund is aimed at both start-up and established SMEs which may have been struggling to access the finance they need.

Newcastle-based software developer Pebble is one of the most recent investees having received support to take its new fund management product to market.

Dawn Dunn from North East Finance said "The new Microloan Fund has been a valuable shot-in-the-arm for North East businesses like Pebble."

"We always wanted the programme to be as flexible as possible and react to the market and this has given us more scope to support smaller businesses at a critical time. It's added extra punch to our portfolio."

Overall, the Finance for Business programme has invested nearly £30 million in a wide range of businesses the length and breadth of the region since its launch last year.

This has been supported by a similar level of co-investment from private sector backers.

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Funds in focus

With nearly 300 hundred investments to date, the Finance for Business North East Fund has invested in exciting businesses the length and breadth of the region. The individual funds are well on track to support upwards of 800 companies by 2014. On the eve of the programme's second anniversary, we look at where the investments have been made.



GROWTH FUND:

Demand for the Growth Fund has continued to remain strong, with the end of 2011 proving particularly busy according to NEL Fund Managers which manages the Fund. NEL has made 28 investments in the last two years totaling more than £4.79m.

Simon Johnson, senior investment executive at NEL Fund Managers, says: "The flow of enquiries about the Growth Fund has been especially strong over the last three months, and we're seeing an increasing number of firm from right across the region coming to us with strong business plans - even though the economic climate remains challenging, there is no shortage of demand for the type of investments we provide.

"We currently have a healthy number of applications standing at different stages of the review process, and expect the final quarter of 2011 to be our most successful so far in terms of the number and value of investments made, thus giving us strong momentum to take into the New Year."



ACCELERATOR FUND:

Over £7m (£7,488,954) has been injected into growing businesses courtesy of the Accelerator Fund. One of two funds managed by Northstar Ventures, the fund has been one of the most active in the portfolio with 36 transactions to date - comprising a total of 22 new deals and 14 follow-ons.

Alasdair Greig, director at Northstar said: "The Accelerator Fund aims to help high-quality, regional businesses develop their business ideas and grow into flourishing SMEs and demand for funding continues to remain high.

"The companies we've supported through this fund - like WhatUserdo, amBX, Eutechnyx - all fit in to this category and have exciting ideas with great potential for growth.

"They also have excellent management teams in place and this is critical when it comes to making investments."



ANGEL FUND:

Having completed 15 investments so far, Rivers Capital Partners which oversees the Angel Fund, has invested nearly £2m (£1.863m to be exact) in local companies and still has around £5.6m of the fund to invest going into 2012.

Jonathan Gold, director at Rivers Capital Partners, comments: "The fund has helped a great many businesses secure funding that they would have struggled to by more traditional means.

"We're now looking to invest over £2m by the end of this year and £2m next year in new ventures, as well as provide follow up funding for some of the companies already invested in. 20% of our portfolio of investees is based in the Tees Valley. We see Teesside as a hotbed of business talent, in general, but especially in renewable energy and the creative digital industries."



PROOF OF CONCEPT FUND:

Helping businesses and entrepreneurs at an early stage in their journey, the Proof of Concept Fund continues to be incredibly active. It has been involved in 78 transactions since the launch of the programme in January 2011. Through these transactions, Northstar Ventures has invested nearly £6m in 64 new deals and 14 follow ons. In addition, the Proof of Concept Fund has supported 10 businesses through the Ignite100 programme.

Deals made through the Proof of Concept Fund range from around £20,000 to the £100,000 mark and are typically aimed at technology based firms. Durham-based software start-up Webpromoter360 is one of the latest beneficiaries of investment. The company, which has developed software to improve the search engine optimisation and reporting processes used by companies in marketing over the internet, received £72,000.



TECHNOLOGY FUND:

Since March 2011 the fund has committed £3.2m in nine businesses in addition to supporting 10 businesses through the Ignite100 programme. Companies from a range of sectors and stages of development have received finance including C-Capture (£99,000), Continuous Retorts Limited (£550,000) and Route Monkey (£500,000). The investment has provided cornerstone finance to lever in £8m of investment from other investors.

Duncan Lowery said: "2011 has seen the quality of enquiries increase and as a result we have seen our investment rate pick up. We continue to see investment opportunities from a diverse range of industries but we are seeing particular strengths in the chemicals and materials sector in Teesside and the Digital sector across the region. We also continue successfully to bring new opportunities into the region such as the recent investment in Route Monkey a provider of software solutions specialised in routing and scheduling for conventional and electric vehicles. Prior to the Christmas break we anticipate completing between 5-8 further investments which will end a very active year for the Fund and establish a portfolio of very exciting companies with great prospects."



GROWTH FUND PLUS:

Fund manager FW Capital has so far completed seven deals in established North East-based businesses, all of them equity or quasi-equity investments.

Fund manager Andrew Coles said: "It's now well over a year since we started investing the North East Growth Plus Fund and I'm pleased that in that time the Fund has become a key part of the funding on offer to established businesses in the North East.

"I've been impressed by businesses' willingness to work with their advisors to consider all funding options open to them, including growth capital options, such as equity. This is really quite a shift from even just a few years ago when short-term debt deals were very much the order of the day."

Microloan fund on a roll

(Cont'd from front page)

A growing Newcastle software developer has become the 100th company to receive backing from the Microloan Fund as it rolls out a new fund management application. Pebble has received an investment of £25,000 as it begins deploying its new Fund Manager accounting software for schools, charities and clubs.

Pebble's cloud based system integrates with online payments providers and helps manage receipts and payments to produce financial reports. It includes an account register function that can be used for recording school dinners via an app on a hand-held tablet.

After five months in development, the company is now beta testing the product before its launch in January 2012 when pilots will run with six local authorities, covering 40 schools. It has created two new jobs to support the roll out and will add a further three to its team before the end of the year on the back of the investment.

Janis Green, CEO of Pebble, said: "The new fund manager has been designed alongside schools and Local Authorities specifically to meet the needs of the market.

"We've built on our existing locally hosted software to create a cloud based solution that's intuitive to use so that financial managers and administrators can easily record and report transactions.

"It's easier to integrate with other systems because it is cloud based - so is ideal for monitoring things such as school dinner money. It's also very cost effective and we're confident it will be a market leader."

Set up in 2005 by CEO Janis Green, the company has grown from having two employees to 16. Its existing School Fund Manager application manages over £25 million annually, tracking money collected from students at 2,000 schools.

Ryan Green MD added: "Fund manager is scalable and preliminary discussions have taken place about distributing the product in the US. There is an identical match in the management needed for student activity funds in the US as well as for voluntary funds in the UK."

Peter Gilson, fund manager at Entrust said: "The Microloan fund has been able to support many sustainable businesses with strong growth potential that are either creating or safeguarding jobs. Pebble is a very good example of this.

"The fund has proved very popular so far with demand far exceeding expectations. The quality of the applications has been strong too, with many existing businesses applying, alongside start-ups, which is why we've managed to reach the 100 milestone so quickly. We also have a further 50 or 60 deals in the pipeline."

Angel fund helps young entrepreneurs

Young entrepreneurs in the region have been able to tap into investment and business advice from the Finance for Business North East Angel Fund, managed by Rivers Capital Partners.

The Angel Fund has recently invested in ScratchBikes, a self-service city bike hire scheme founded by Newcastle University graduates and cycling enthusiasts Jack Payne and Robert Grisdale.

The company was formed when the pair imported a container load of custom built bikes and set up a text based rental system in Newcastle.

Nine months on and the distinctive green bikes are highly visible and accessible. Now, backed by funding from the Angel Fund, the graduate start-up is looking to roll-out its business model in other locations nationally and internationally.

Jonathan Gold, director of Rivers Capital Partners, said: "Rob and Jack showed a natural flair for innovation and a passion to push their business to succeed. We are delighted to invest in ScratchBikes.

"The North East is awash with talented young individuals with great business ideas. Our aim here at Rivers Capital is to find and invest in the business leaders of the future."

Another dynamic young company to be reaping the benefits of investment is Deadgood which has just received second round funding.

Set-up in 2004 by Northumbria University 3D Design graduates, Dan Ziglam and Elliott Brook, the award winning design company has already developed a strong reputation for its cutting edge contemporary designs.



On your bike: Jack Payne (left) with Robert Grisdale

Web business nets investment



(L to r) Lee Duddell - (founder), Nick Imrie - (MD), Michelle Cooper (Northstar), Matthew Witt (investor), Steve Porthouse (sales director)

A North East internet business has identified more than 50 million potential customers for a new service that allows website owners to quickly and cost-effectively improve the profitability of their websites.

WhatUsersDo reveals how visitors to company websites find information or buy products -

typically increasing sales or lead generation and reducing metrics like bounce-rate.

"There are more than 50 million SMEs in Europe with a website," said WhatUsersDo managing director Nick Imrie. "But what they don't know is why people stay, why they leave and why they acted the way they did. Everyone with a website

Manissa looks to expand

North east importer Manissa is aiming to expand the scale and scope of its operations after securing new backing.

Manissa sources, imports and supplies a comprehensive range of raw materials, finished goods and components from a network of overseas manufacturers, acting as a conduit into the UK and mainland Europe from its Newcastle headquarters.

Now, with a view to further enhancing its inventory, systems and process efficiencies, Manissa has secured a £300,000 investment from regional fund management firm NEL Fund Managers, from the Finance For Business North East Growth Fund that NEL manages.

And the company's management team is expecting to see its 40-strong workforce grow over the next few years as it looks to secure both contracts with new customers and incremental business from existing clients.

Managing director Martin Savage said: "We've developed a solid, successful business over the last six years, but have always known that we would be able to achieve even more with additional resources in place, and this capital injection sets us up to increase both the size and the quality of our customer base over the next few years.



(from left) Manissa MD Martin Savage, Jonathan Lake of NEL and Manissa's Group Financial Controller Paul Baisey.

looks at their analytics but that is often just the "what" - our service gives you insight into the "why" and that's what you need to have to improve your online presence."

Backed by a £60,000 investment from Northstar Venture's Proof of Concept Fund in 2009, it has now attracted a further £150,000 investment from the Finance for Business North East Accelerator Fund. Northstar's continued investment in WhatUsersDo will allow the company to recruit key staff and improve its product offering, as well as strengthen its reputation as the leading provider of this type of service.

Since Northstar's initial investment, founder Lee Duddell has recruited an experienced management team - including Nick Imrie, a former board director of domainnames.com - to advance their ambition to become Europe's largest remote user-experience testing company

WhatUsersDo has already signed up an impressive list of clients such as BT, Lastminute.com, travel company TUI, and Comet as well as SMEs including UKBathrooms, DietChef and Photobox.

Michelle Cooper, investment manager at Northstar Ventures said: "This investment demonstrates our recognition of the huge potential for the company to affirm its position as a market leader in user-experience insight services."

"Having been involved since its inception, Northstar is delighted to continue supporting the business. In this exciting and fast-moving space, there are many opportunities for the company to achieve even greater commercial success, backed by the expertise of the expanding management team."

Simon Johnson, senior investment executive at NEL Fund Managers, adds: "Manissa has succeeded by developing an intimate knowledge of both its suppliers' capabilities and its customers' requirements, and now has every opportunity to grow in the future by utilising these twin areas of expertise even further."