

PANORAMIC DEALS IN FOCUS

Introducing electrical engineering contractor, PCS

Buxton based for over 20 years, PCS has provided essential electrical engineering services across mainly the Aggregate and Food & Drink industries. PCS are specialists in electrical testing and compliance, design and installation, maintenance and absence and shift cover where demanding health and safety requirements exist.

In January 2019 Panoramic supported Managing Director, Danny Burns and non-executive Director, Nick Owen, to acquire the business by way of a management buy-in. Our investment proposition was to back a management team with a good track record to acquire a long established company providing essential services into defensible industries.

Malcolm Kpedekpo noted: "We are delighted to support Nick and Danny in the acquisition of PCS. We were impressed by the strong reputation that PCS holds, the strength of the existing management team and the range of essential services provided. Danny

and Nick both have excellent credentials and alongside current management will form a strong team to take the business to the next stage of its development."

Incoming Managing Director Danny Burns commented: "PCS is a business with great potential and is in a strong position to achieve further growth. Alongside the existing management team, Nick and I look forward to continuing the excellent work of the two founders of PCS.

He continued: "The funding and support from Panoramic enabled this transaction, and we are excited to work with them to realise our ambitions."

Panoramic's investment will support management's growth plans in increasing its



number of employees and taking advantage of opportunities in new and existing markets.

For more information about PCS go to www.pcsukltd.co.uk ■



Key facts

Sector: Electrical Contracting

HQ: Buxton, Derbyshire

Date of Investment: January 2019

Deal type: Management buy-in

Panoramic Team: Malcolm Kpedekpo, Jake Wilson



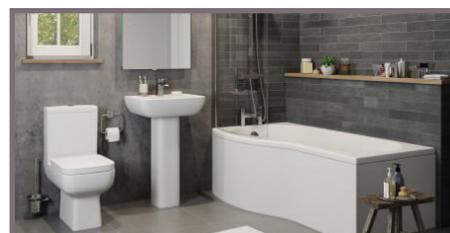
Backing online bathroom retailer, Plumbworld

Since the business established in 1999, e-commerce retailer Plumbworld has sold bathroom products online to more than 1.5m customers. Selling both well-known household brands along with in-house brands, Plumbworld uses sophisticated IT systems to monitor online prices ensuring they are never beaten on price. Located in Evesham, their extensive range of stock ensures that orders are delivered on a next-day basis.

In January, Panoramic backed the founder of the business, James Hickman and his team, to buy back the company from the FTSE 250 listed builders' merchant, Grafton Group in a management buy-out. Backing an exceptional and long-standing management team successfully operating in the high growth area of e-commerce was at the heart of our investment decision.

The investment provided by Panoramic will also allow additional working capital

to support Plumbworld's growth strategy, including investing in marketing, developing new product ranges and diversifying the customer base.



Key facts

Sector: E-commerce retail

HQ: Evesham, Worcestershire

Date of Investment: December 2018

Deal type: Management buyout

Panoramic Team: David Wilson, David Atkinson



David Wilson noted: "We were excited by the prospect of backing a well-established e-commerce business which provides great customer service and develops and applies the very latest digital technology. The MBO team have all the skills and experience to take the business forward. Retailing is increasingly moving online, and Plumbworld is at the forefront of that shift, and we are extremely pleased to support them with this next phase of development"

James Hickman, Managing Director at Plumbworld, added: "The E-commerce consumer market is very fast moving and intensely competitive. It requires quick decision-making, calculated risk-taking and continuous focus on eliminating avoidable costs. Being independent will offer us greater agility and enable us to do that more successfully."

For more information about Plumbworld go to www.plumbworld.co.uk ■

PORTFOLIO: A YEAR IN THE LIFE OF... POD POINT



Pod Point powers on

It has been a busy year for Pod Point, a company Panoramic backed in June 2018. As a provider of electric vehicle charging points, Pod Point believes 'travel shouldn't damage the earth' and is incredibly passionate about developing the infrastructure needed to enable mass adoption of electric vehicles. To date, Pod Point has sold over 60,000 electric

chargers in the UK and Norway, and their app has been downloaded over 70,000 times.

The number of electric vehicles is set to increase sharply over the next decade with estimates predicting over 11 million electric vehicles on the road by 2030, and Pod Point is exceptionally well placed to support this growing and important market.

Notable achievements for the company in the last year are:

- A two-year partnership with Kia that will see Pod Point install all home charging

units for Kia's UK customers;

- A deal with Peppes Pizzas, based in Scandinavia, to provide charging points for its fleet;
- A 3-year preferred supplier deal with Mitsubishi Motors that will require Pod Point to install charging units for their consumer and fleet customers across the UK;
- Being voted as one of the top 3 public charging networks by the UK general public;
- Received investment from Legal and General, one of the worlds largest asset managers, through its Future Cities business;
- Being one of the first electric vehicle charge point suppliers to offer 150kw rapid chargers in the UK (3 x the power of the average UK charger); and
- A sponsorship-based deal with Tesco and Volkswagen to significantly increase charging points at many of its major stores.

Pod Point strikes deal with Tesco and VW

The Tesco and Volkswagen partnership, a sponsored-based business model which is the first of its kind for electric charging, will see 2,400 universal charging points installed at 600 Tesco stores (Tesco Extra stores and Superstores) across the UK. Excitingly, this means that Pod Point will be powering the UK's largest retail Electric Vehicle network, and achieves a 14% increase in the number of public charging bays. The deal represents a huge leap forward for the UK and is a significant step forward for Pod Point.

Legal and General invest in Pod Point

Global asset manager Legal and General made their investment through their Future Cities business, which seeks to make investments that help create sustainable communities with good employment opportunities, high-quality and varied housing in a digitally-connected and clean environment. Legal and General believes electrically charged vehicles will be an integral part of delivering that clean environment and also transforming the UK's transport systems.

Through this deal Legal and General takes a 13% stake in the business and will provide capital that will support Pod Point's strategic expansion and accelerate the growth of the company as it continues to help UK drivers adopt clean transportation. Lastly, Legal and General will deploy Pod Point charging points across their expansive real estate and home portfolio, thus making charging points even more accessible to the public.

For more information about Pod Point, please go to www.pod-point.co.uk ■



FUND 1 – STATS UPDATE

Panoramic Enterprise Capital Fund 1 closed in March 2010 and was oversubscribed at £34m. The fund could provide up to £3.5m into UK SMEs seeking growth capital. It invested in 9 businesses and has achieved 5 successful exits to date.

Fund 1 was raised with the support of the Enterprise Capital Funds programme, run by the British Business Bank. We track certain metrics as part of our internal process and as we head towards the final stages of the fund life thought it would be a good opportunity to share a few statistics on the combined portfolio since we made the investments:

12 new offices	388%	422%	472%	205%
7 territories	increase	increase	increase	increase
3 continents	in revenue	in gross profit	in EBITDA	in staff (334)

These statistics are ultimately down to the hard work and dedication of management teams we back. It also hopefully positively reflects the impact of institutionally backed private equity capital into the real economy. Thanks to all our portfolio companies for making this happen! ■

PEOPLE

Paul Lavery joined Panoramic in May 2018 to provide additional support to the investment team.



Paul is a current PhD (Finance) student at the University of Glasgow where his research is focused on various aspects of private equity & venture capital markets. He also teaches a range of undergraduate and postgraduate courses in areas including Corporate Finance, Portfolio Theory and Equity Valuation.

He previously worked as a Financial Engineer for First Derivatives and Mizuho in Northern Ireland and London and holds an MA in Economics & French and an MSc in Investment Finance. ■

Striking the right balance: Private Equity and the diversity challenge

Creating an environment that encourages and enables greater diversity is a priority for many sectors. A fairer playing field in terms of pay, more flexible working, and progressive recruitment strategies are positive steps that many are taking towards achieving a more balanced and, in turn, innovative and profitable business environment.

Presently, the financial sector lags behind with a more profound gender gap than others. The negative publicity associated with gender pay reporting and the inequalities in the industry has raised Government attention and is demanding more is done.

Private Equity as a component of the financial sector is also behind the curve. A recent study by the BVCA found that women receive less than 1p of every £1 of venture capital investment. Similarly, only 5% of all

pitched made are by all-female teams and, staggeringly, 83% of deals done in the UK are with all-male founding teams (or a mere 17% of transactions done in the UK have a female member on the founding team).

These statistics highlight that diversity, from a gender perspective, is an issue. If we are to remain in step with broader industry and society, it is something we must be prepared to recognise and tackle.

So, how should Private Equity firms tackle it? Firstly, we must accept that we may exhibit unconscious bias, which is the process of making quick judgements based upon stereotypes without realising it. Being aware of this enables us to challenge our thinking and decision-making.

Secondly, we must measure progress, i.e. how much of our deal flow relates to female-founded businesses? Once we start

tracking the breakdown of our deal flow and investments, we can identify areas for improvement and target allocation of capital into companies with a higher level of diversity.

At Panoramic, we are committed to being both a diverse and inclusive employer and investor and we take a proactive approach to ensure this is upheld throughout the investment process. In particular, we pay close attention to our deal flow and on the demographics of the companies and opportunities we evaluate.

Likewise, we encourage our portfolio companies to maintain a similar level of commitment to diversity. With investors and companies collaborating and working toward a common goal, the UK private equity market can become a more all-embracing and inclusive workplace. ■

Avoiding trouble down the line – on increasing market valuations

A crowded market poses challenges for Private Equity firms looking to secure good deals. A significant issue the industry currently faces is increased company valuations, and in this article, we explore some of the reasons why the sector is paying more now than ever for assets.

Following the most recent financial crisis, interest rates have remained low, and investors continue to seek more attractive options in which to invest. An influx of capital means the industry is exceptionally buoyant (according to an article by Reuters the sector is currently sitting on \$1.2 trillion worldwide to invest), but it has also created a supply and demand issue with more capital available than businesses for sale.

The result is often bulging funds with record amounts of un-invested capital (commonly referred to as 'dry powder') meaning fierce competition for deals and upward pressure on valuations. Recent figures from the US

show that PE firms are paying more for assets now than in the pre-crisis boom with transactions secured at circa 10.5 times EBITDA in 2018 compared to circa 9.5 times in 2007.

This new and intense competition in the sector means that PE firms find themselves under pressure to invest, bringing the potential risk of rash or sub-optimal decision-making. Against this backdrop, it's critical that the industry applies caution. Maintaining a tight grip on diligence is essential to avoid investing in businesses which don't meet all standard criteria.

Similarly, debt, cheaply available due to ongoing low-interest rates, must be obtained prudently, as managing it can be a major headache in a downturn. Corporate defaults can also pose a significant threat to overall PE fund performance and should always be a consideration for a PE firm when securing debt packages.

So, how do we make the most of the exciting opportunity we have while also striving for high performance? The key is to find the right fit by investing in companies that meet standard criteria but which are also a suitable match for you and your investors. Investment decisions should focus on whether a company has enough intrinsic value and ability to sustain profitable and robust growth to support and justify a higher valuation.

Business cycles and credit market conditions play an important role in the functioning of financial markets, and private equity is no different. It has been shown that investment activity and deal structures change as a result of changes in the economic cycle. However, while potential macroeconomic turbulence may call for increased prudence in decision making, where an appropriate investor-company fit exists, profitable and successful investment and sustainable growth remain possible. ■

In conversation with:

James Hickman, Managing Director of Plumbworld

What value do you feel a private equity investment can bring?

For a management team looking to liberate a business unit from a larger group then a private equity investment can be the only way to make it possible.

A variety of finance options are out there but after doing our research we found that private equity best suited the unique circumstances of the transaction.

The board contribution and other business connections of a Private Equity partner can also bring great value. We have been introduced to a number of contacts who have enabled us to accelerate growth or improve profitability.

How does a company best prepare for the process?

Don't underestimate the amount of work involved in completing the due diligence process. If you have good systems, processes and documentation in place then that is a great start.

However, understand that for several months most of the senior team's available "headspace" is going to be taken up with getting the deal completed, so clear the decks of other projects as far as possible.

Why was Panoramic your preferred investor?

The quality of the deal is important and Panoramic provided us with what we felt was a fair and competitive offer of funding which suited the needs of our businesses and the transaction.

However, that is only part of the story. We needed to get the deal complete in a very tight time-frame, 8 weeks, or our Plc owners had

made it clear they would take the deal off the table. Panoramic were the most credible in giving us confidence that they could complete a deal in that time-frame (which they did).

The final factor was personal chemistry. It is important to realise that you will be working together for at least a few years and if you don't have similar values and approaches then it could make for a very rocky relationship. Of all the PE partners that we met, I felt we would work best with David Wilson.

What, if anything, did you learn from the spin-out process?

It is possible to complete the process in a very tight time-frame if everyone is committed and the lawyers are kept on a relatively tight leash.

What advice would you offer to other companies seeking investment?

Have a clear, well thought out strategy for your growth plan. The biggest mistake we made when we initially presented the deal was being vague on our strategy. We thought we were being flexible as we had a lot of alternative strategies that we could pursue. Our position was: you tell us who will be the end buyer who will pay the most, and we will select the



strategy that makes us most attractive to them. Whilst conceptually I think that was a valid position, it didn't land well and turned into, "They Don't Have a Strategy".

Get a good Corporate Finance advisor on board. We balked the first time around because the fees looked high and they fall back on the management team in the event that a deal is not completed. However when our first deal backers pulled out leaving us only 12 weeks to find and complete a new deal we had little choice. We picked Cole Associates and Jeremy Cole earned his fees 10x over. We were introduced to a range of funders (including Panoramic), and were advised on how to present our opportunity and help negotiate the best deal.

Any final thoughts on your ambitions for the future?

We are already hitting our year 3 forecast numbers in year 1, so we are off to a very strong start.

I think it is possible for us to reach £100M turnover over the next three years and although that is a very ambitious target, I wouldn't have it any other way! ■



What we invest in:

Panoramic invest into established UK businesses with an investment need of between £1m-£5m. We invest in a variety of situations including development capital, replacement capital and management buy in/buyouts taking minority or majority stakes. We invest across a broad range of sectors and our second fund, which we are currently investing, is £65m and backed by large institutions.

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