panoramic

NEWSLETTER
SUMMER 2020

EQUALITY AND DIVERSITY

We have talked previously about our views on the need for better Equality and Diversity in our industry. There is, quite rightly, an enhanced focus on this and our industry continues to work to try and improve the diversity of the people operating in private equity. As a firm, we have actively looked at our recruitment processes, intern roles and have proactively sought to mentor those from underprivileged and diverse backgrounds to encourage them into this industry. The reality is we (and our industry in general) need to do more, and as a firm, the last few months have brought that home. This includes looking at the investments we back, and the influence we can have over our portfolio companies following our investment.

Not being perfect is better than not doing anything, but we all need to do more.

NEW INVESTMENT

Hooke Highways

Panoramic invests in Southern-based traffic management provider

Panoramic is pleased to announce that it has backed Somerset-headquartered traffic management provider Hooke Highways, with a multi-million-pound investment. This marks the continued expansion of Panoramic's portfolio in Southern England and is the thirteenth investment from its second fund.

Established in 2012, Hooke Highways provides a range of traffic management solutions throughout the South of England, and is one of the foremost traffic management providers in the UK. Hooke Highways has grown significantly over the last five years through industry leading service levels, utilising quality equipment and employing and investing in highly trained staff.

Hooke Highways now operates 24/7 in fourteen counties and has six depots sited strategically across South East and South West England. Its services have expanded to encompass all aspects of traffic management including design & planning and bespoke signage production. Panoramic's investment will provide Hooke Highways with further opportunities to develop and consolidate its leading role in the industry.

Investment Details

Sector: Transport & Infrastructure

HQ: Weare, Somerset

Date of Investment: March 2020

Panoramic Team: Stephen Campbell, Partner, and David Atkinson, Senior Investment Manager

Michael Montague, managing director of Hooke Highways, commented:

"We are thrilled to be working on our expansion with the support of Panoramic to help us shape our future vision for Hooke Highways. This investment will further support our company's development and will strengthen our position in the industry, which is set to grow following significant government and private investment into roads and utilities infrastructure.

"We value our identity as a progressive, independent business. After considering various funding options, we believe that Panoramic will deliver on an operational, cultural and structural level, as they are closely aligned with our own core business principles."

Stephen Campbell, partner at Panoramic, commented:

"We are delighted to support Michael and the team at Hooke Highways, who have developed a reputation across the industry for reliability and providing high-quality service. We were particularly impressed with Hooke's use of technology to increase employee safety and operational efficiency."

"Our investment decision was driven by the quality of all aspects of Hooke's business along with attractive sector dynamics of an imbalance between supply and demand, given increased investment in road infrastructure and utilities. We look forward to supporting Michael to continue to grow the company and strengthen Hooke's position in the traffic management industry."

Personnel

Panoramic coordinated the deal with Hooke Highways' senior management team, consisting of Michael Montague, Managing Director; Martin Brown, Chairman and Mike Allcock, Financial Director. Panoramic were advised by Brad McAvoy and Nathan Willis at James Cowper Kreston on financial diligence and David Easdown at Knights plc on legal. Dave Merrick and Martin Duffy of D2M2 Consulting provided commercial due diligence. Management were advised by Andrew Lock and Craig Dutton at LockDutton Corporate Finance.

Portfolio company Pod Point sold to EDF Energy

In February, Panoramic announced the sale of Fund 2 portfolio company Pod Point to French energy giant EDF. The exit marked one of the largest electric vehicle (EV) charging infrastructure transactions to date and generated an exceptional return for Fund 2. Here are our thoughts looking back on the investment.

Background

Panoramic invested £2.25m in Pod Point in June 2018, alongside investment from Draper Esprit and other existing individual shareholders. The investment was predominantly growth capital but there was also some secondary share purchase providing equity release. Erik Fairbairn founded the company in 2009 and by 2018 Pod point had built one of the largest EV charging networks in Europe. The company offers a full range of technology and services, from home charging through to commercial and workplace solutions.

Investment thesis

Pod Point was attractive because significant growth in charging infrastructure would be required to support the move to electric vehicles. Pod Point was one of only two UK companies with charging infrastructure scale and the market was experiencing high demand and restricted supply. The company had become the supplier of choice for major car manufacturers and commercial operators such as hotels and offices.

Exit Details

Sector: Energy & Utilities

HQ: London, UK

Date of Exit: February 2020

Panoramic Team: Stephen Campbell, Partner, and David Atkinson, Senior Investment Manager

We believed that air pollution would become a major public health issue that governments would combat by penalising combustion engine vehicles and supporting electrification. From a consumer perspective we thought that technological advances, convenience, and fuel cost savings of electric cars would begin to disrupt the status quo and eventually claim widespread adoption. We were also backing a driven and visionary CEO and talented senior management team.

Distinctive investment process

Our Pod Point investment process had a few unique aspects that required a tailored approach. Existing and new investors were interested in the investment round. Funding amount and participants were changing regularly which affected growth forecasts. We ended up investing alongside Draper Esprit and other individuals who we met to understand their experience so far in Pod Point and discuss investment strategy for the next phase of the company's development.

Our diligence programme investigated electric vehicle growth in the US, China and Norway (who are further ahead than the UK), government strategy towards clean energy and operational challenges of installing thousands of charging points across the country. We spent considerable time with management assessing cash flow forecasts in what is a capital-intensive business. We also engaged technology experts to advise on technology capacity and roadmap deliverability. We were required to move quickly and efficiently within the available time and resources, whilst co-ordinating with other investors to finalise the process.

Portfolio management

With Pod Point's scale and incumbent institutional investors, the board was already fully formed along with experienced non-execs from the automotive industry. We managed the investment directly through regular meetings with the CEO and CFO. This gave us insight into day-to-day challenges and progress on the ground. We supported Pod Point during our 18-months as investor by introducing portfolio companies wanting workplace charging points, providing insight on relevant M&A and competitor activity, and we made introductions to businesses interested in supplying hardware to Pod Point.

Increasing scale and further investment

As Pod Point progressed, Legal and General Ventures invested in March 2019. This provided the backing of an investor with deep financial resources and a real estate portfolio needing charging infrastructure. The company began to grow dramatically in the second half of 2019, coinciding with mainstream car manufacturers finally overcoming production hurdles that had seen long delays in electric cars becoming available in the UK.

Exit and future of Pod Point

Following high profile acquisitions by energy companies such as Shell and BP and exponential growth in electric car sales, Pod Point began to receive direct approaches from energy companies. Drake Star Partners who had experience in EV transactions were appointed to advise on the sale process. The diverse investor base created some interesting challenges around communication and confidentiality as the sale neared completion.

Pod Point will be EDF Group's biggest electric vehicle investment, and the acquisition forms part of its plan to become the leading energy company for electric mobility in the UK, France, Italy and Belgium.

Sector Experience

Pod Point was Panoramic's second successful investment in clean energy following solar panel business Solfex, which sold to Travis Perkins Plc in 2013. We believe clean energy and air pollution will continue to provide exciting new investment opportunities. We were delighted to play a part in the success of Pod Point and believe our experience will provide grounding for further investment in the sector, supporting other companies to enjoy the success that Pod Point has achieved.

In conversation with:
Ken Roulston, Managing Director of CMI

Belfast-headquartered CMI is one of the UK's leading IT managed services businesses. CMI creates IT strategies, manages IT systems, improves cyber security, and supports the IT departments of over 400 companies from its Belfast, London and Thames Valley offices. Panoramic backed Ken and his team in June 2019 to continue their buy-and-build strategy by acquiring London-based IT managed services business BTA.

How have you found integrating BTA over the past year?

The integration process has been successful but has presented its challenges. This acquisition was the biggest we have done to date, which brought with it a bigger challenge in terms of integrating both cultures. We are using the same technologies but in different ways, and BTAs management was very much top-down, whereas my management style is more empowered and devolved, so employees needed to adapt to new ways of working.

Where are you investing to grow the business further?

The biggest area of potential organic growth for us is through the 'modern workplace', and that's where we are helping our clients transform the way they work. This has been accelerated as a result of the COVID-19 outbreak. It's not just the ability to work from home: it's how people collaborate within a remote environment, exchange information and ideas, utilising all different forms of technology available.

How have you reacted to the recent change in working practices?

We're doing now what we've been helping clients do for a considerable time, therefore changes in working practices have worked very well for us. The staff reaction to it has also been very positive. The biggest issue of home working is the relative social isolation, so to address that we've organised daily, weekly, and monthly communication channels that are business-orientated, but also socially-orientated. If anything, I think communication with our staff and across the business has improved as a result. It makes it a lot more structured and controlled than when you're working in an office environment.

What has been the biggest challenge during lockdown?

The most important challenge has been cash management and forecasting. This is all about controlling inflows and outflows of cash from our creditors and debtors. Many of our clients have furloughed staff, and many had a reduced requirement for services, so we have scaled-down our services in conjunction with their requirements. It's about being a lot more flexible, as we are now seeing things significantly pick up again.

We have supported our clients with IT related webinars and advice, which can be downloaded **here**.

What will the future of IT look like following Covid?

The current circumstances are going to accelerate the drive towards the cloud further and faster, and the on-premise element of workplace practices will reduce going forward. That's going to be one of the main changes. I also think the modern workplace and working from home is going to be very different, and that's going to bring with it new challenges to do with security and data management.

What are the most important emerging IT trends?

Some of the most important IT trends are artificial intelligence (AI), the 'internet of things' (IoT), and automation.

A lot of AI is already in place, but people just don't realise it. It's about practical automation facilities that are going on in the background. It has a growing presence, but it's not fancy sci-fi stuff, it's the practical use of technology for efficiency and productivity.

The 'internet of things' is also already here in many respects, in that you can control so many things using software, whether it's your car, fridge, or the lighting in your house. From a business viewpoint, the IoT is going to be particularly big within manufacturing, using intelligent devices on the factory floor.

Another lesser-considered but important trend is compliance. We are seeing that for regulatory reasons, governmental reasons, GDPR, and all equivalent factors, compliance is becoming an increasing requirement for the SME sector, and most businesses tend to look to their IT partner to assist them with their compliance requirements.

What are your ambitions for the future of the company?

Our ambition is to continue to build, grow, and expand. We will continue to look for new acquisition opportunities to add value and depth in expertise and client base. Organically, we will continue do business with larger and more diverse clients.

Best tip / action for companies looking to invest in their IT?

Before spending money on IT, companies need to understand and buy-into its importance. From our viewpoint, you've got to look at IT as being the possible differentiator between you and competitors, because the more you can automate and the more you can improve productivity and efficiency, the more secure your business is going to be in turbulent times.

If you want to future-proof your business, you need to look at how IT can help you do that. In many respects that does mean using technology to do the functions that people do, but that can allow the company to scale without having to recruit more people, which can be a challenge in the current marketplace.

Once you buy-into what IT does, you want to make sure you pick a partner that has got the skills, breadth and experience to take you forward on that journey strategically, not just providing you with a tactical point solution. That supplier needs to challenge you to the point where it's not what you want, it's what you need.

Investment Details

Sector: IT

HQ: Belfast, UK

Date of Acquisition: June 2019

Panoramic Team: David Wilson, Partner, and David Atkinson, Senior Investment Manager

A YEAR IN THE LIFE OF... FREED FOODS

Vegan snacking brand Freed Foods was founded in 2015 by David Ventura and Tomas Mesa. They identified a gap in the gluten-free and vegan snack market and established a free-from challenger brand that delivers on taste. Their ambition is to become the leading healthy snack brand in Europe.

Panoramic invested £1.5m of growth capital in June 2019 and it has been a busy year building the team, distribution channels and increasing brand awareness.

New listings in Waitrose, BP and French supermarkets

Freed's distribution channels extend across Europe and even to the Middle East. However, France and the UK are the company's largest markets and main focus.

During the year, new listings were secured in retail deals with major supermarkets including Waitrose, Carrefour, Franprix and increasing SKUs in Monoprix. In addition, demand has led to listings in retail outlets including BP, WHSmith and transport hubs of the SSP estate.

Marketing initiatives and team building

In October, Freed were delighted to welcome marketing manager Lindsay Llewellyn to the team. Lindsay's experience in brand positioning, graphic design and interest in veganism is a great fit for Freed. Brand awareness initiatives such as video content, blogging, influencer engagement, giveaways and sampling has helped increase Freed's following in addition to traditional forms of promotional marketing.

New product development

Freed's mantra is that healthier-snacking doesn't have to be boring. New flavours and recipes are in continual development and this year included a new BBQ flavour, which launched in Monoprix (France) from June, and Olive, which is anticipated to hit the shelves later in the Autumn.

Freed also continues to investigate potential brand acquisitions to add complementary products with good distribution to the Freed Food family.

Resilience during market volatility

Despite economic instability brought on by the Covid-19 epidemic, performance has remained very resilient. Sales to the foodservice sector are still at a standstill, but this was more than compensated by strong sales in supermarkets across Europe and the Middle East, resulting in May's revenue exceeding pre-crisis levels ■

Chairwoman joins the board

In February, Juliet Barratt joined the company as independent Chair of the board. Juliet co-founded the hugely successful active nutrition brand Grenade, and brings extensive marketing experience to enable Mister Freed reach a wider audience.

Juliet and Grenade co-founder Alan Barratt sold the company to Lion Capital in 2017 for £72 million . Grenade featured on The Sunday Times' Fast Track Top 100 every year from 2014 to 2017.

Juliet noted: "Mister Free'd shows huge potential to be a leading challenger brand in both the free from and mainstream snack market and I look forward to helping the company reach its full potential".

AWARDS & RECOGNITION

Many congratulations to our portfolio companies whose significant achievements have been recognised by industry awards this year.

Heck! Food

Heck! was named in **Alantra's Food & Beverage Fast 50**, placing 13th in the UK for fastest-growing privately-owned company ■

Captify

Captify was named in **Campaign's Best Places to Work 2020**, placing 76th in the UK for its high standard of employee support and satisfaction ■

Captify

Captify was named in **Fast Track's International Track 200**, placing 46th in the UK for fastest-growing international sales ■

Captify

Captify was awarded as the UK's **Technology Business and Mid-Sized Business of the Year** at the Growing Business Awards 2020 ■

Managing through adversity

Supporting portfolio companies during the pandemic

The past few months have been extremely challenging on a personal and business level. Economic uncertainty remains high and decision making in these conditions is not easy. Supporting our portfolio has been our top priority. Utilising government intervention, managing H&S risk, reducing overheads and providing moral support are some of the ways we have tried to ease the significant pressure management teams are under.

Effect on the portfolio

The Office for National Statistics reported the fastest drop in GDP since records began with 5.8% in March and 10.8% in April respectively. The macroeconomic outlook for H2 is bleak. Positively the Bank of England, which injected £200bn into the economy in March and further since through asset purchasing, along with government intervention, reaffirmed that they are prepared to provide the stimulus needed to support the economy.

The pandemic's effect on our portfolio reflects that some sectors have been hit and others have so far benefited. We were fortunate to be relatively defensive through not being exposed to leisure, travel and hospitality whilst benefiting from increased demand in some sectors such as food and beverage, IT and e-commerce. Nevertheless, April and May were very tough months on all aspects of business and we expect volatility to be an ongoing theme for the remainder of the year. Thankfully, we are seeing demand pick up in June, particularly in manufacturing and services, as lockdown restrictions ease and businesses reopen.

Proactive management

Liquidity is king during crises. As lockdown unfolded we helped our companies apply for CBILS loans, sector specific grants and rates rebates (where applicable) to increase headroom. Banks were initially slow to respond, inundated with applications. Being able to quickly provide detailed cash flow forecasts, business plans and banking contacts unlocked funding in an efficient manner. Updates and advice on government furlough scheme meant that applications were filled out accurately and timely.

Stakeholder management was key to manage working capital, ensuring good relationships are maintained with suppliers and customers for when demand increases, taking a long term pragmatic view whilst managing bad debt risk. We have been able to share covid-related experiences of portfolio companies on HR, operations and access to funding with the rest of the portfolio to solve challenges as efficiently as possible.

Thinking about the future

Lockdown has also provided a positive opening for reflection and planning for the future. We are seeing chances to better use technology, think more about internal processes and target new areas of product and business development. Several companies are seeking to make acquisitions and we are supporting to search for and qualify relevant opportunities. Pre-Covid we were experiencing the challenges of a tight labour market, with increasing costs in attracting and retaining talent. We are helping think about ways this can be addressed going forward using experience gained from lockdown.

Another area of related importance continues to be incentivisation of management using EMI schemes, option pools and performance related bonus schemes. Our goal is to strengthen the financial and operational position of our portfolio companies for when the economy picks up.

Investment pipeline

We have seen decreased level of new investment opportunities as business sales and fundraises have been put temporarily on hold. This is against a very high volume of new opportunities pre-COVID. Nevertheless we are still in the investment phase of Fund 2 and actively looking to invest. Homeworking methods have meant very little change in our process of appraising new opportunities. With customer demand increasing across the portfolio, we are similarly seeing investment activity increase which is hopefully a sign of a faster than anticipated recovery – although it's still too early to tell how things will play out.

Thank you

In the meantime we are extremely grateful to our portfolio for the exceptional efforts management and employees have gone to in managing through this extremely difficult period. We believe these efforts will make investee companies more resilient for the future and look forward to continuing to play our part in supporting the companies we have backed through the pandemic ■

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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