

British Smaller Companies VCT plc (BSC)  
British Smaller Companies VCT2 plc (BSC2)



# Investor Workshop 2018

**Richard Last**

Chairman

British Smaller Companies VCT2 plc

**Wednesday**  
**16 May 2018**

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# Agenda

<b>11.00</b>	<b>Welcome</b>	<b>Richard Last</b> Chairman, British Smaller Companies VCT2 plc
<b>11.05</b>	<i>(introducing Friska)</i> <b>Summary of the year</b>	<b>David Hall</b> Managing Director, YFM Equity Partners
<b>11.15</b>	<i>(introducing e2E)</i> <b>Portfolio Review</b>	<b>David Bell</b> Partner, YFM Equity Partners
<b>11.30</b>	<i>(introducing Eikon)</i> <b>New Investment Activity</b>	<b>Paul Cannings</b> Partner, YFM Equity Partners
<b>11.45</b>	<b>Investee Company presentation – NCam</b>	<b>Nic Hatch</b> CEO, NCam
<b>12.00</b>	<b>Looking Ahead</b>	<b>David Hall</b> Managing Director, YFM Equity Partners
<b>12.15</b>	<b>Questions &amp; Answers</b>	
<b>12.35</b>	<b>Lunch – To be served in the Foyer</b>	

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# Summary of the year

**David Hall**

Managing Director

YFM Equity Partners

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# Review of last year

- **Fragile economy with backdrop of uncertainty**
- **Advance Assurance delays (to December)**
- **New and follow-on investments since May 17**
  - **£19.0 million**

# Review of last year- Patient Capital Review

- **The rumours**
  - **Reduced tax relief; no tax relief**
- **The impact**
  - **Fundraising brought forward**
  - **Rule uncertainty pre-budget**
  - **Capital preservation the target**

# Latest changes to new investment rules

- **Qualifying investment test to 80%**
- **6 April 19; 30% invested in 12 months**
- **Knowledge intensive**
  - **£10 million per annum**
  - **£20 million lifetime**
- **It's about policy conformity**

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# Portfolio Review

**David Bell**

Partner

YFM Equity Partners

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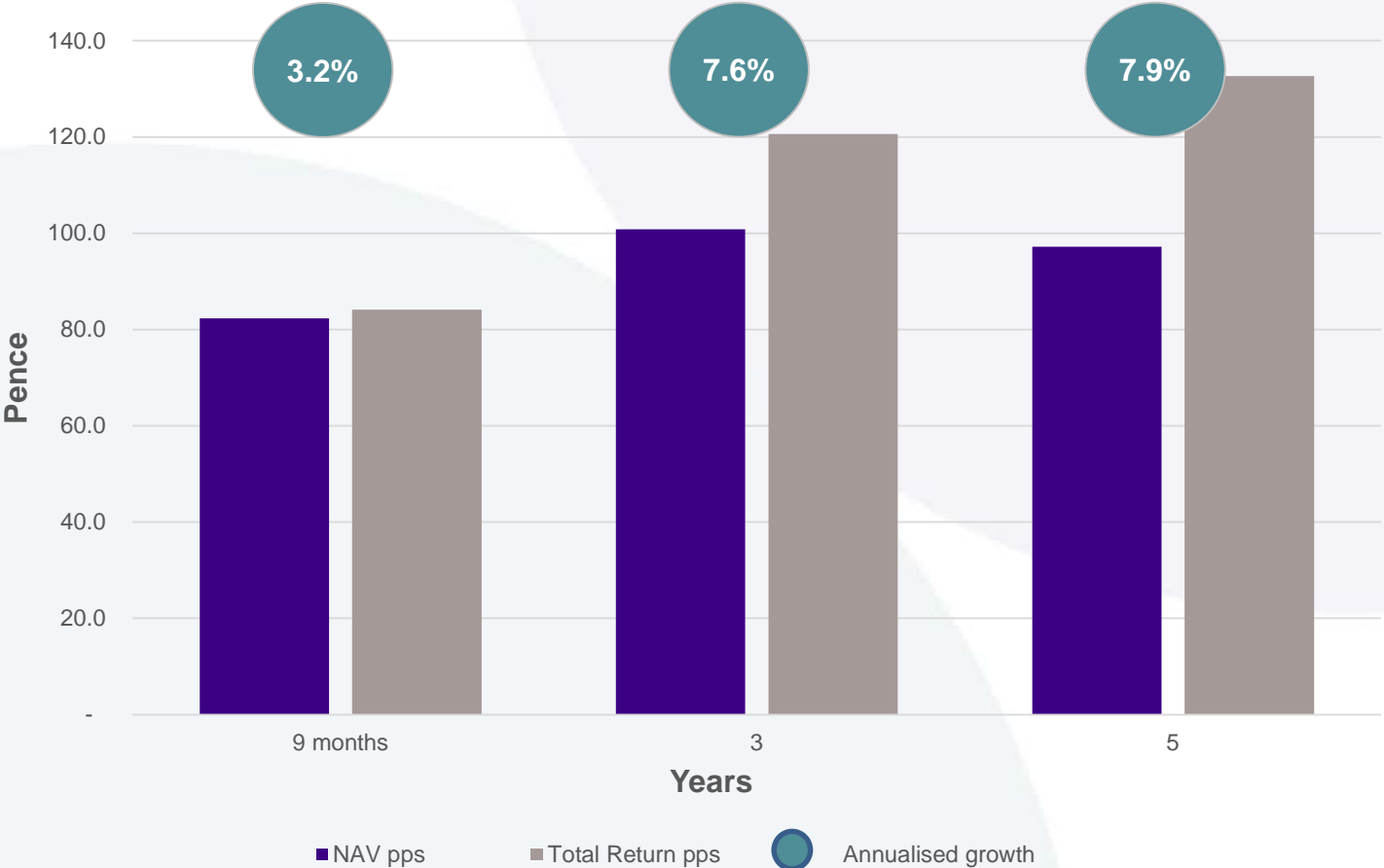
# Review of last year

- **New investments 6 new, 3 furthers, total £19.0 million**
- **Realisations (including debt repayments) generated proceeds of £9.1 million**
- **Dividend Returns BSC 5.8%, BSC2 5.0%**



# BSC performance

BSC - Annualised Return years to 31 December\*

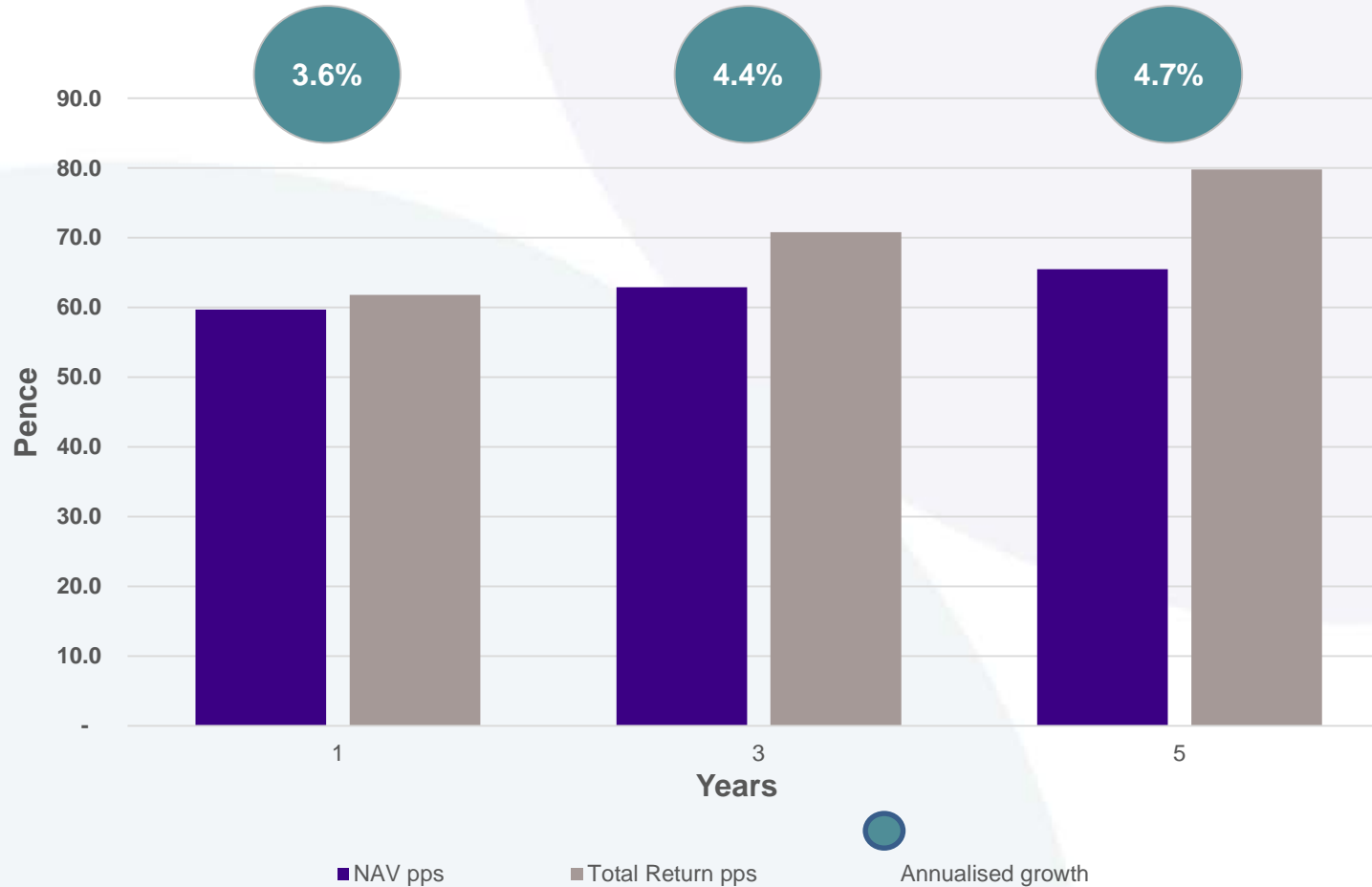


\*Results to 31 March 2018 not yet available

Past performance of BSC or BSC2 is no guide to future performance and the value of investments may go down as well as up and you may not get back the full amount invested.

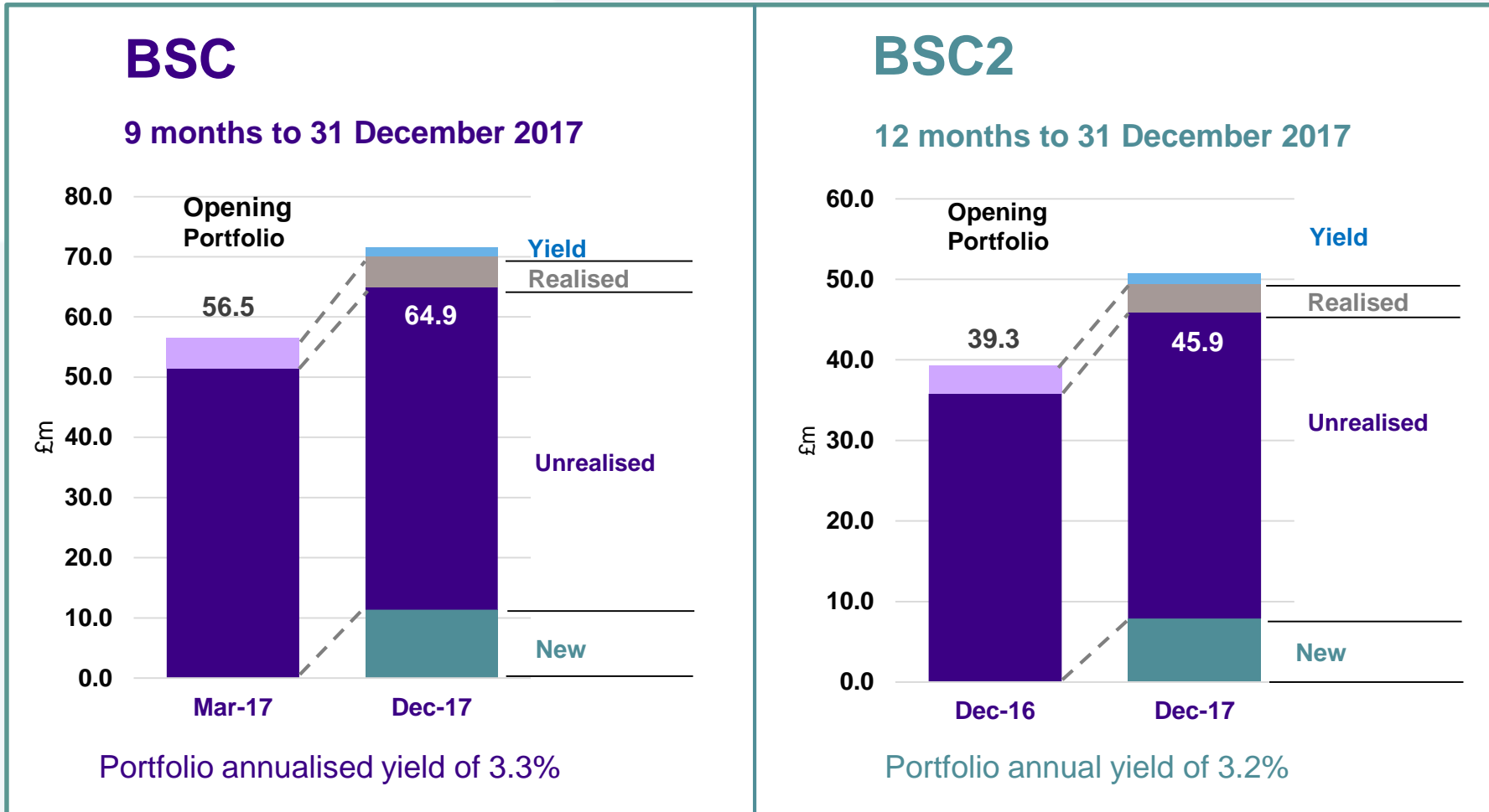
# BSC2 performance

BSC2 - Annualised Return to 31 December



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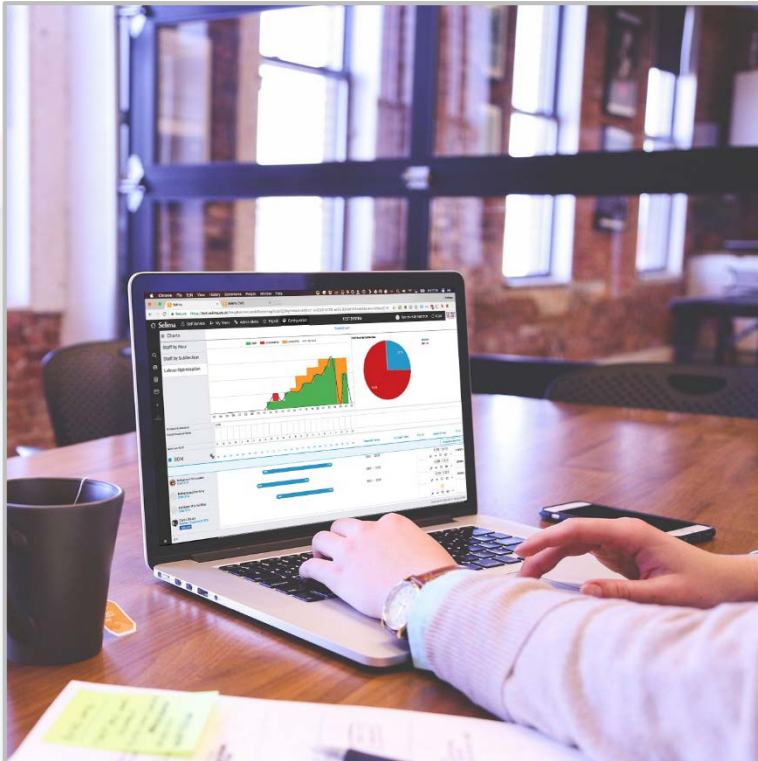
# Portfolio Evolution



Note, all figures are as reported at December 2017, except New Investments includes all deals completed to May 2018.

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# Portfolio Review: Realisations



## Selima

- Investment in March 2012
- Supplier of payroll and HR services to public sector
- Over 5 years
  - Re-developed product suite,
  - Expanded to commercial sectors,
  - Developed SaaS business models
- Exited June 2017 to trade buyer, return 3.7x, 31% IRR

# Portfolio Review: Active Management



## Heritage Windows

- Niche manufacturer of Aluminium windows
- Several management changes necessary
- Turnaround chairman and CEO co-invested
- Now stable and restructured to realign around realistic growth and exit plan



## Business Collaborator

- Collaboration software to construction sector
- Growth rate slower than plan
- Strengthened the team to kick-start
  - new CEO and Sales Director
- Refining sales models to SMEs and Enterprise customers
  - combination of SaaS and traditional licenses



# Portfolio Review: Series B Fundraise



## Matillion

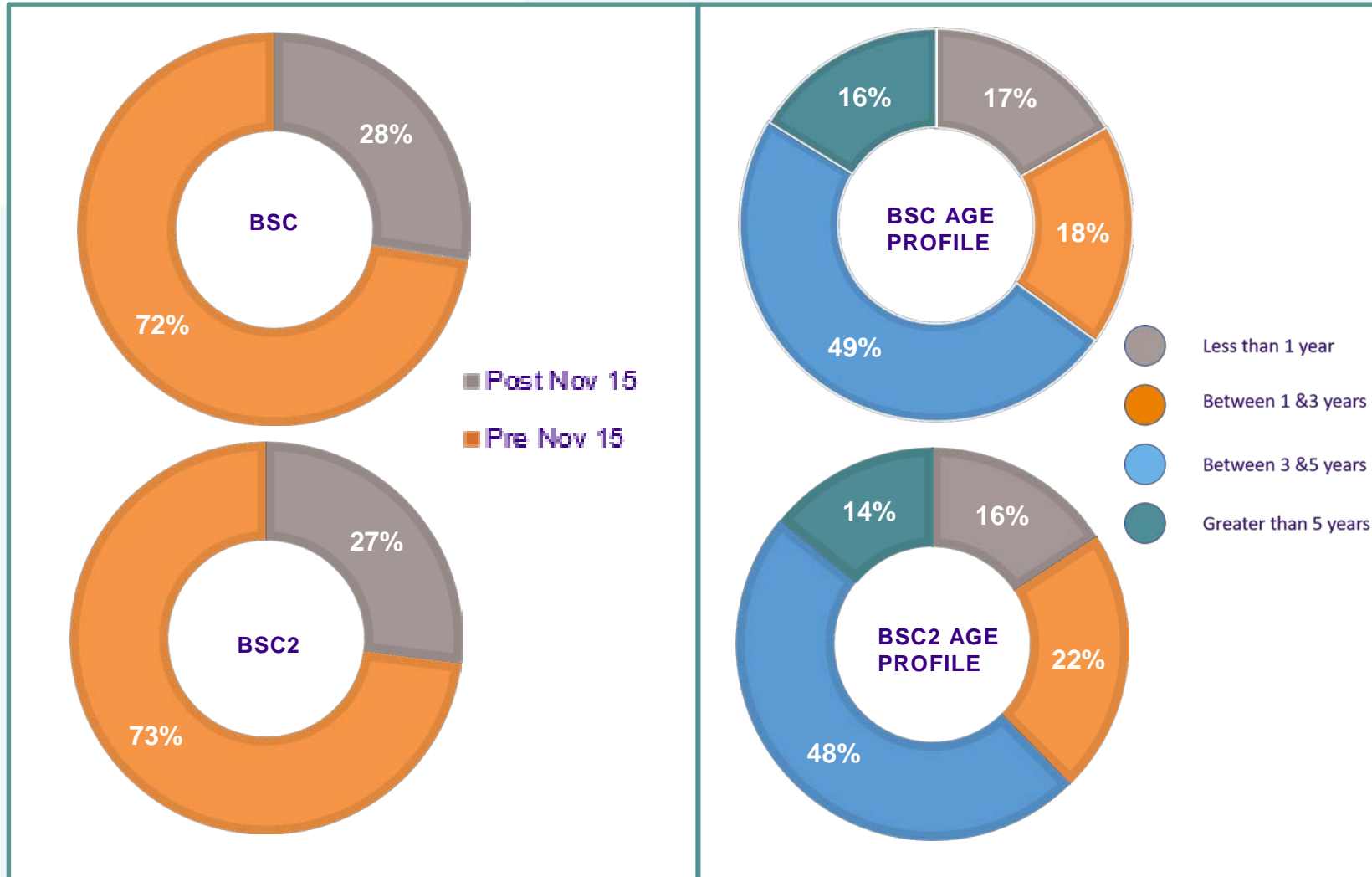
- Growth Capital investment in November 2016
- Software tools for corporate customers to facilitate cloud-based data warehousing (ETL)
- Progress
  - Launched on AWS Redshift, Snowflake and Google Bigquery
  - Developed a highly scalable SaaS model
  - ARR growth from c\$1m to \$6m in 18 months
- \$25m Series B round closed in March 2018

# Portfolio Review: Top 10 at December 2017

<b>Company</b>	<b>Type of business</b>	<b>Value<sup>1</sup> £m</b>	<b>Cost £m</b>	<b>% NAV</b>	<b>Years</b>
<b>IO Outsourcing</b>	<b>Business process outsourcing</b>	<b>8.3</b>	<b>4.9</b>	<b>5.7</b>	<b>4</b>
<b>ACC</b>	<b>Airline services</b>	<b>7.8</b>	<b>1.9</b>	<b>5.4</b>	<b>3</b>
<b>Mangar Health</b>	<b>Healthcare products</b>	<b>7.1</b>	<b>4.1</b>	<b>4.9</b>	<b>4</b>
<b>Gill Marine</b>	<b>Technical sailing clothing</b>	<b>5.5</b>	<b>4.4</b>	<b>3.8</b>	<b>4</b>
<b>Matillion</b>	<b>Cloud-based integration technologies</b>	<b>5.0</b>	<b>3.5</b>	<b>3.4</b>	<b>1</b>
<b>GTK</b>	<b>Manufacturer of electronics solutions</b>	<b>4.9</b>	<b>0.7</b>	<b>3.4</b>	<b>4</b>
<b>Springboard</b>	<b>Retail performance monitoring</b>	<b>4.8</b>	<b>4.4</b>	<b>3.3</b>	<b>3</b>
<b>Ketech</b>	<b>Rail communications products</b>	<b>4.8</b>	<b>4.0</b>	<b>3.3</b>	<b>2</b>
<b>Business Collaborator</b>	<b>Collaboration software</b>	<b>4.8</b>	<b>3.4</b>	<b>3.3</b>	<b>3</b>
<b>Deep-Secure</b>	<b>Cyber security</b>	<b>3.8</b>	<b>1.5</b>	<b>2.7</b>	<b>8</b>

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# Portfolio characteristics





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# New Investment Activity

**Paul Cannings**

Partner

YFM Equity Partners

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## Reminder of new investment rules

- **Target company must normally be < 7/10 yrs old**
- **Lifetime investment limit of £12m/£20m**
- **Must be used for growth capital**
- **No secured loans**

## Likely characteristics

- **Less likely to yield**
- **More likely longer hold periods**
- **More likely multiple rounds**
- **Success more likely down to micro not macro**
- **More likely smaller regional advisers**

# YFM's investment approach

## What we are looking for:

- **Strong management with a clear plan**
- **Scaling up into proven, growing markets**
- **Proven products sold to multiple customers**
- **Clear path to being cash generative**
- **Creating attractive acquisition targets**

# 2017 New investments



<b>Friska</b>	
<b>£3m</b>	<b>Retail</b>
<p><b>Chain of 'food to go' restaurants offering breakfast and lunchtime foods.</b>  <b>Bristol</b></p>	



<b>e2E</b>	
<b>£1.5m</b>	<b>Software, IT &amp; Telecoms</b>
<p><b>Technical consultancy business operating in the satellite communications market.</b>  <b>Welwyn Garden City</b></p>	

# 2018 New investments



<b>Eikon</b>	
<b>£5m</b>	<b>Media and technology</b>
<b>Leading end-to-end digital post-production services provider.</b> <b>London and Los Angeles</b>	



<b>Ncam</b>	
<b>£2.4m</b>	<b>Software, IT &amp; Telecoms</b>
<b>Develops augmented reality technology for the entertainment industries.</b> <b>London</b>	

# Hot off the press



**Hutchinson**

**£2.2m**

**Software and IT**

**Leading provider of multi-vendor IT and networks solutions  
Edinburgh**



**Undisclosed**

**£3m**

**Software and IT**

**Local authority software business  
Cambridge**

## Some features of what we are seeing

- **Breaking into new geographies**
- **Growing in US**
- **Technology providing competitive advantage**
- **Having to pay up for quality**
- **Tidying up shareholder base**
- **£30m of cash reserves vs £14m invested in last six months**



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# Thoughts for the Future

**David Hall**

Managing Director

YFM Equity Partners

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# VCT fundraising

	<b>Gross £m</b>	<b>ESBBs £m</b>	<b>Net £m</b>
<b>5 April 2012</b>	<b>331</b>	<b>64</b>	<b>267</b>
<b>5 April 2013</b>	<b>403</b>	<b>133</b>	<b>270</b>
<b>5 April 2014</b>	<b>437</b>	<b>17</b>	<b>420</b>
<b>5 April 2015</b>	<b>429</b>	<b>0</b>	<b>429</b>
<b>5 April 2016</b>	<b>457</b>	<b>0</b>	<b>457</b>
<b>5 April 2017</b>	<b>542</b>	<b>0</b>	<b>542</b>
<b>5 April 2018</b>	<b>728</b>	<b>0</b>	<b>728</b>

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## Distributions by VCTs: payment trends

- **Short term – upward pressure? (2017 seek to maintain annual dividends)**
- **Planned exit VCTs – liquidations slow but steady (2017 arguably liquidations slowing)**
- **In 3-5 years dividends and returns are likely to be more volatile (likely more volatile)**

# What's on HMRC agenda?

- **To Advanced Assure or not?**
- **VCT review**
- **Report to EU**
- **Patient Capital review- follow up**

# VCT Market

- **VCT and EIS now pointing in the same direction**
- **Investment may include more follow-on**
- **Characteristics of growth still common**
- **Returns dependent on a single capital event**
- **2018 off to a good start**