

Issue 13 / Autumn 2015

Creating Value

The Newsletter of Maven Capital Partners



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Bill Nixon Managing Partner



Welcome to the Autumn 2015 edition of *Creating Value*. Whilst during the summer period we normally see a slight drop off in activity levels, this year has seen little evidence of that trend. Notably, the past six months have been characterised by a period of strong exit activity across our VCT portfolios. A combination of trade and UK based private equity buyers have helped us to realise several investments at attractive prices. In particular, we continue to see strong buyer interest for smaller UK companies from the USA, where many corporates are looking for a foothold in the European market to expand their business globally.

In many cases these strategic deals can command a premium price and, although there can be mixed emotions at seeing a UK business pass into foreign ownership, it is invariably positive for our investors and allows us to replenish our capital resources to support the next generation of growth companies.

One realisation has led to a significant special dividend being announced by Maven Income and Growth VCT 2, which will obviously be very welcome news for shareholders. The dividend flow for investors in that VCT has been steadily improving in recent years, and when an investment does exceptionally well (in this case returning in excess of 7x cost over the period since 2004) it allows us to make large one-off payments to shareholders. The challenge is always to find the next one!

The other significant news during the period was the announcement of the new proposed State Aid rules in the emergency budget which was held in July. The practical impact of this will see the UK forced to comply with EU rules on smaller company investment and, as the legislation is currently drafted, is likely to see a reduction in the number of qualifying companies or transactions involving those companies in which VCTs can invest. Although we see a large number of investment opportunities every year across our network, it is disappointing that we will be constrained in pursuing certain businesses because of their age or transaction type.

With lots of new investment and realisation activity during 2015 we are keen to interact with shareholders who take an active interest in VCT investment. There will be a number of upcoming Meet the Manager events throughout the country but space in some venues is limited, so please advise us early if you wish to attend. Further information can be found on page 3.

Lastly, I would like to thank those Maven VCT shareholders who took the time to attend our client VCT AGMs this year. We have seen a marked increase in the number of investors attending and we enjoy the constructive participation from shareholders that takes place at these meetings.

I hope you enjoy this copy of the Maven newsletter.

A handwritten signature in black ink that reads "Bill Nixon". The signature is written in a cursive, slightly slanted style.

MAVEN WINS TWO MORE AWARDS

Maven Capital Partners was named as Private Equity Manager of the Year 2015 at the annual M&A Awards, held at the Victoria Park Plaza in London. The M&A Awards is one of the most important events in the mid-market corporate finance calendar, celebrating corporate finance and dealmaking excellence over the 12 month period.



Our team was also recently awarded Small Buyout House of the Year 2015 for the third consecutive year at the ACQ Global Awards.



The awards, which are in their 10th year and voted on by the ACQ readership, celebrate achievement and innovation and recognise organisations that have had the greatest impact on their industry.

MEET THE MANAGER EVENTS

Maven will be holding a series of Meet the Manager events during Autumn 2015, with the following dates and venues:

Glasgow

(Maven Capital Partners, Kintyre House, 205 West George Street) 10.45am on 3 November

Manchester

(Radisson Blu Edwardian Hotel, Peter Street) 10.45am on 4 November

London

(Maven Capital Partners, Fifth Floor, 1-2 Royal Exchange Buildings) 10.45am or 1.45pm on 5 November

The format will be similar to that used successfully in previous years, with a short presentation by members of our senior management team and a light lunch/afternoon tea. Investors will hear more about the Maven investment approach and portfolio, and there will be a Q&A session to allow a forum for discussion.

If you would like to attend, please either email enquiries@mavencp.com or call us on 0141 306 7400, by no later than 20 October 2015, and provide your name, address, contact details and preferred venue (including a preferred meeting time for the London event).

DISTRIBUTION OF ANNUAL/INTERIM REPORTS

An increasing number of shareholders have expressed an interest in accessing Annual and Interim Reports electronically. Maven and the VCT boards also look to reduce the cost and environmental impact of production and circulation where practical, and shareholders can now be advised by post or e-mail that Annual and Interim Reports are available on each VCT's webpage.

Letters of request were enclosed with Reports issued during 2014, giving shareholders an opportunity to confirm their preference. Where no specific instruction to the contrary was received, shareholders were treated as having given their consent to receiving postal notification. New shareholders in any of the VCTs will receive hard copy documents unless they advise of an alternative preference.

If you currently receive postal notification, but would prefer to be advised by e-mail, you can either return the reply slip that accompanies your postal notification or inform the registrar Capita Asset Services, via www.capitashareportal.com or by using the contact details on page 11 of this newsletter. Similarly, if you are currently receiving hard copy documents you can contact Capita to request e-mail or postal notification. *Please note that when using the share portal you will need to provide your investor code, which can be found on your share certificate.*



Flow Communications

Your Network Infrastructure Partner

“We’re delighted to be working with the Maven team, it’s a great opportunity for us to accelerate our growth plans. We have built a strong business since the company’s formation in 2008, and this transaction provides a great foundation for the next phase in our development. We believe they are the perfect funding partner to help us deliver on our vision for Flow.”

Nick Sonigra
Managing Director at
Flow Communications

GO WITH THE FLOW

**Network security provider Flow Communications
set for growth after backing from Maven**

Just as the previous issue of *Creating Value* was published in April, Maven led a £2.75 million investment in the specialist IT security business Flow Communications. Based in Apsley, near Hemel Hempstead, Flow provides flexible networking security solutions to customers throughout the UK and Europe. The business offers clients a complete end-to-end service, aimed at maximising the business value of IT, improving the flow of information and protecting key infrastructure.

Services range from audits of existing networks through to the design of an entire IT architecture with key systems in place to protect vital networks, infrastructure and data assets from intrusion and disruption. Flow also offers ongoing support, partnering with a number of blue-chip IT hardware manufacturers to provide a highly-tailored support service.

Established in 2008 by Nick Sonigra, Flow has enjoyed year-on-year growth, helped in part by operating in one of the fastest growing sub sectors of the IT industry, forecast to be worth over £3.4 billion by 2017. Nick leads a young but highly experienced management team which was recently enhanced by the appointment of Ash Hussain as Sales Director. Ash was previously Managing Director of Axial Systems where he helped grow annual sales to over £20 million.

The huge shift towards cloud computing and big data, alongside the prevalence of social networks, means that IT security is increasingly critical for businesses. As a result Flow’s clients continually require support and upgrades to IT infrastructure, in order to reduce the associated risks.

The funding from Maven will enable the business to expand its sales team to help accelerate organic growth, and to build scale.



New Investment

ON THE RIGHT TRACK

**Data management firm utilises equity and
mezzanine finance to spearhead its global expansion**

In April this year Maven completed an investment in data management solutions provider Traceall Global. The business specialises in the tracking, traceability and monitoring of equipment and assets, predominantly within the food and beverage sector.

The transaction also saw the Scottish Loan Fund, which is managed by Maven, provide a mezzanine loan facility to the business for working capital headroom to allow it to undertake a number of new contracts as part of its expansion. This injection of capital will allow Traceall to add to its existing business development and technical teams, creating the capacity to take on larger projects.

Traceall has developed a range of remote sensor monitoring systems and unique asset verification products. Its sophisticated Supplier and Product Information Management software system allows clients to manage and control complex global supply chains. Behind this system is a suite of software solutions and cutting-edge technology that can trace, track and monitor real-time data from across the globe on variables such as location, temperature, product quality and equipment performance.

Recent high-profile quality, authenticity and mis-labelling issues within the food and beverage industry have further illustrated the importance to brands and retailers of ensuring that they have transparent traceability solutions embedded within their operations. The global food traceability market, growing 8.9% annually, is expected to reach \$11 billion by 2016.

Prior to investing Maven had been in close dialogue with the Traceall team for two years, assessing their progress and monitoring its developing order book. The technology is now being utilised by a host of international brands including Coca Cola Enterprises, Jamie Oliver Group and BT Global Services.

traceall global

“This investment comes at an exciting time for our business. The escalation of sensor technologies, increasingly complex global supply chains and the proliferation of big data have all opened up new markets and opportunities for Traceall Global and our suite of products and software solutions. We are able to fill a need that was otherwise not technologically possible, and with that we are delivering significant financial, environmental and operational benefits to our client base.”

Alan Steele
Managing Director at
Traceall



“When looking for an investment partner it was essential to us that any incoming party understood and fully supported the customer centric ethos that has made Cursor so successful to this point, whilst also sharing our exciting vision for the future. Maven continually demonstrated this support and understanding throughout and have already proved instrumental in assisting with the process of bringing on board a Finance Director and Chairman to complement the already strong and well established team.”

Neale Sutton
Managing Director at
Cursor Controls

FIRMLY IN CONTROL

**Maven supports Nottinghamshire manufacturer
at the cutting edge of trackball technology**

In July Maven’s South East investment team led a transaction in Cursor Controls, a global market leader in the design and manufacture of trackball pointing solutions for industrial applications, with an equity investment of £4.5 million.

Cursor has a history spanning more than 60 years and is the UK’s only independent company focusing solely on trackballs. The business offers a comprehensive range of over 1,200 trackball variants to its international clients, with over 90% of sales going for export, and provides trackballs for a wide range of industrial applications including use within the medical, marine, military and media sectors.

The funding provided by Maven will enable Cursor to accelerate its growth plans, by improving its leading edge product development and leveraging the broad-based patent protected IP the business already holds. This significant IP portfolio creates strong barriers to entry for competitors and presents opportunities for Cursor to sell its existing technology, both in new markets and for use in additional product applications.

Cursor’s Managing Director Neale Sutton leads a dynamic executive management team with a high level of technical expertise. This team has been further strengthened by the addition of a new Finance Director and Chairman, both of whom have previously worked with successful Maven backed portfolio companies.



EQUIPPED FOR SUCCESS

Maven sells its stake in energy services business MSIS for a 3.3x return demonstrating that M&A activity in the sector continues despite lower oil prices

In June Maven completed an exit from the environmental services and equipment specialist MSIS, via a sale to London-based Primary Capital for £19.5 million.

The sale achieved a 3.3x total return on the original investment for Maven client funds and represents another profitable disposal by Maven's Aberdeen-based energy services team. In recent years the team has overseen the sale of a number of energy related support businesses, including EFC Group in December 2014, generating a return of 3.8x cost.

Since launch in 1998, MSIS has grown to become a trusted adviser to the global oil and gas industry, offering an increasing range of skills, equipment and services. The company, employing 80 people, has a proven track record and expertise in specialist cleaning, asset maintenance and waste management.

The Maven team first invested in MSIS in 2007, when it supported a £6.1 million buy-in management buyout, and provided a further £3.35 million of funding over the subsequent years to facilitate growth.

This rapidly expanding company also made substantial investment into equipment and facilities at its bases in Invergordon and Aberdeen, enabling MSIS to extend its service offering to capture a larger share of the North Sea market and further develop its presence in selected international offshore markets. With Maven's support, revenues more than doubled while profitability increased three fold over the period of investment, leading to a record year in 2014 in terms of profitability.



“The MSIS management team looks forward to the next phase of our development and we would not have secured the platform that our business represents without the support of Maven over the last few years. The oil and gas industry is a cyclical but rewarding sector and having the experience, advice and support of the Maven energy services team has been critical to MSIS' development and success.”

Chris Lloyd
CEO at MSIS



CASH BASES 

“The Maven team has proven to be a constructive and valuable investment partner as our business has expanded, offering advice and strategic support as we have developed new products and our overall client offering. Maven were there with support when we required it and we are grateful to them for helping us fund the buyout in 2004. We are happy that their investment in us has proved to be very rewarding, and it has been an enjoyable experience working with Maven.”

Philip Stone
Managing Director
at Cash Bases

CASHING OUT

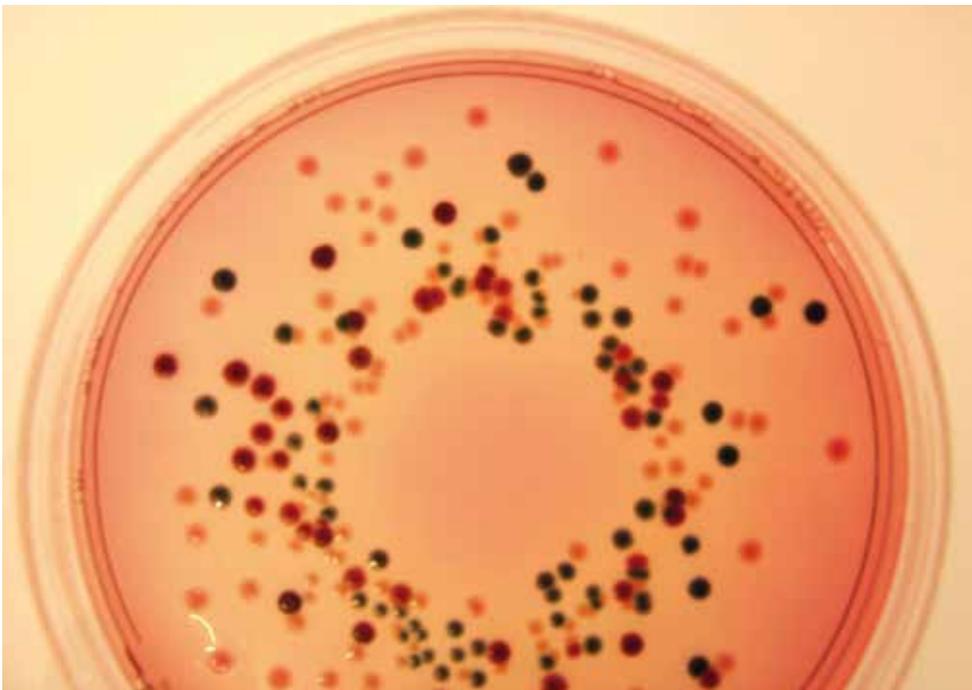
Maven generates 7.1x return for client funds following merger of point-of-sale manufacturer Cash Bases with US partner

In August Maven achieved a 7.1x total return on exit from Newhaven-based point-of-sale (POS) cash management specialist Cash Bases Limited, following its merger with US company APG Cash Drawer LLC.

Maven clients funded the MBO of Cash Bases in 2004, and the Maven team later supported senior management to complete a key strategic acquisition which helped expand the business into new markets. Cash Bases has been developing cash management solutions for over 30 years and is now established as one of the world’s leading manufacturers of high quality cash drawers and other POS related products, supplying global brands in the retail, finance and hospitality sectors, across more than 70 countries.

Maven executives worked closely with the Cash Bases management team to accelerate the company’s growth by targeting new clients and markets, extending the product offering, and focusing on specialised opportunities within the sector and in overseas markets. In July 2013 Cash Bases secured a multi-million pound contract with Tesco PLC for the integration of its ground-breaking SMART*till* technology in the entire estate (over 25,000) of the retailer’s UK cash tills, providing automated cash management and real-time monitoring of POS transactions, including an intelligent cash drawer system. The company is currently in talks with several other large UK and European retailers interested in adopting SMART*till*.

The union with APG creates a global and market leading cash management solutions business, differentiated by its ability to deliver innovative technologies to a broad range of customers. Cash Bases and APG offer complementary products, and the merged entity will serve an international customer base, where the two businesses have a strong strategic foothold in the North American and European markets.



Portfolio Exit

FINAL ANALYSIS

Maven exits Lab M via a sale to US food safety company Neogen Corp for a 2.3x investor return

Maven has sold its investment in Lab M Holdings, a developer, manufacturer and supplier of microbiological culture media and diagnostic systems, to Neogen Corporation, realising a 2.3x total return.

Lancashire-based Lab M is a leading provider of microbial testing and diagnostic products servicing the global food, water, industrial and clinical testing markets. Employing 35 staff at its facility in Heywood, Greater Manchester, the company's wide range of dehydrated culture media is routinely used in microbiology laboratories around the world for food industry testing.

The original Lab M investment was made in 1998, backing founder-chairman Colin Goodwille with funding for a small group of microbiology businesses acquired over the previous five years. Maven assumed responsibility for the investment when it took over the contract for Guinness Flight Venture Capital Trust PLC (now Maven Income and Growth VCT 4 PLC) in 2008.

Since that time Maven has worked alongside Colin in supporting further development of the business through the acquisition of state-of-the-art manufacturing facilities, improved production management, and the appointment of Managing Director Ian Morris and Finance Director Paul Smith. These initiatives have had a transformational effect on the quality of Lab M's products and customer base.

In recent years the business has delivered consistently strong financial results, driven by sustained growth in existing markets, significant customer wins, and expansion into new territories.



“Lab M has grown into a significant producer of high quality products during the time of our investment, expanding into new markets, developing innovative new products and delivering significant growth. This sale, which has generated a healthy investor return, will allow the business to continue its growth strategy.”

Andrew Symmonds
Investment Director
at Maven



“Under the leadership of Alastair Mills Six Degrees has become a market leading provider of telecommunications & IT services to the SME sector. When we first met with Alastair and his team it was obvious that they not only had a compelling strategy to consolidate complementary service providers in the sector, but critically had the track record and experience to deliver on that promise.”

Andrew Ferguson
Partner at Maven

ON CLOUD NINE

Maven's co-investment partnership with Penta Capital delivers another profitable exit following the sale of Six Degrees Group to a US private equity buyer

Maven and its co-investment partner Penta Capital have sold the data hosting and managed services business Six Degrees Group (6DG) to Charlesbank Capital Partners, delivering a total return in excess of 2x for investors.

6DG provides integrated managed data solutions linking people, places and cloud networks, leveraging its next generation network assets to deliver a fully integrated range of cloud, data centre, connectivity and voice services. The business has grown both organically and through acquisition to become a leading converged managed services provider to the UK mid-market. 6DG is led by Alastair Mills, who has a strong track record in the telecoms sector having sold his previous venture, Spiritel, to AIM-listed communications business Daisy Group for £27 million in 2010.

In 2011 Maven clients joined a syndicate of investors led by Penta in the £60 million transaction which established 6DG. This was the second transaction Maven had made in partnership with Penta, having previously supported the MBO of *esure* from Lloyds Banking Group Plc in 2010.

Throughout the period of Maven's investment 6DG completed 13 acquisitions through a buy-and-build strategy, growing annual revenues to £70 million with earnings reaching close to £20 million p.a.

The acquisition of 6DG by Boston-based private equity firm Charlesbank has not only delivered excellent returns to Maven investors, but will also enable the business to enter its next growth phase, accessing substantial additional capital to fund its ambitious M&A programme.



Shareholder Enquiries

For any enquiries about a VCT shareholding or valuation, please contact the registrar Capita Assets Services. Capita operates a dedicated non-premium rate VCT shareholder helpline on behalf of the Maven VCTs, on 0333 300 1566*, or can be emailed at vcsts@capitaregistrars.com. Shareholders can also register at www.capitashareportal.com in order to easily access and maintain a shareholding online, including changes of address.

Please note that Capita can only provide information directly to a shareholder, or to a professional adviser who has provided a signed letter of authority to obtain information on the shareholder's behalf.

**Lines are open 0900 to 1730, Monday to Friday (excluding public holidays in England and Wales). Calls are charged at the standard geographic rate, and will vary by provider. Calls from outside the UK will be charged at the applicable international rate.*



Stay Connected

If you want to be one of the first to hear about new investments, portfolio exits or any VCT news then it is only a click away.

Investors can stay up-to-date with Maven in real-time by following Maven across its social media channels. **Find and follow Maven on Twitter, LinkedIn and Google+.**

You can also subscribe directly to Maven's email updates via our website. Simply go to mavencp.com and click 'subscribe for email updates' on the bottom left-hand side of the screen.



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