

Issue 14 / Spring 2016

# Creating Value

*The Newsletter of* Maven Capital Partners

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**MAVEN**  
CAPITAL PARTNERS

**Bill Nixon**

**Managing Partner**



**W**elcome to the Spring 2016 edition of *Creating Value*. Once again it has been a productive period, with the winter months providing plenty of time for endeavour on new transactions and realisations. Our team have completed two significant but very different new VCT investments, and also achieved three meaningful exits from existing portfolio companies.

The highlight of the period was the trade sale of **Westway Services**, a business we first supported in 2009, where our team subsequently led a reconstruction of the business in 2014, prior to a successful disposal to a US trade buyer for £54 million in October. Over the life of the investment Westway delivered a cash-to-cash money multiple of 6.5x cost, an outstanding result by any standards. Two points stand out to me on this investment. Firstly, the stellar achievements of a top quality executive management team in a mature industry serve to reinforce that a business opportunity is nothing without the right people, and secondly, our trade buyer was once again US based, and paid a premium price for a quality UK business. In February we also sold **Dantec Hose**, a world leading manufacturer of high performance petrochemical hoses, to a German trade buyer, with that sale also achieving a full price for exiting shareholders.

What these portfolio sales show is that UK companies are highly respected across the world for their capabilities, products, people, ethics and corporate governance. Overseas buyers don't just see UK property as a safe haven, that often extends to buying trading assets as well. Our role in that M&A process is to facilitate an investment on behalf of our VCT or other clients, and then arbitrage an

uplift in investor value via a sale to the ultimate acquirer, delivering an attractive investor profit as a consequence. The appetite for foreign buyers to acquire UK corporates at good prices is actively aiding that objective.

When selling assets we also need to be mindful of the need to continue to replenish our investee company portfolio, and pleasingly two new VCT investments have been completed since I last wrote. **GEV** is a diversified industrials and energy business whose primary subsidiary is well placed to benefit from the growing market for wind turbine maintenance, and **The GP Service** (a topical business and issue for many of us) is capitalising on the challenges facing countless people in obtaining a GP appointment, or who wish to do this through a visual online medium. In GPS, we have supported a proven Executive Chairman who our team backed in his previous business, which he took from start up through to a successful AIM flotation. As I said before, its all about people.

Last Autumn I touched on the impact of the new EU State Aid rules on VCTs, which were subsequently enacted into legislation in November as part of the 2015 Finance Bill. My fellow Maven partner Andrew Ferguson has written an article for this edition which explains the background and restrictions arising from the new legislation, which is currently making life harder for VCT managers. Maven benefits from having an investment team across the key UK centres who see a large number of transactions each year, but this legislation will restrict VCTs from investing in management buy-outs (MBOs) or acquisitions, or from supporting older companies unless they meet certain criteria. Helpfully, there is an ongoing and constructive dialogue with HM Treasury to present the case to allow an element of 'replacement capital' in a new VCT transaction. In many corporate situations requiring investment, an element of cash out is essential to facilitate a transaction, perhaps to allow certain people to retire, or to reshape the ownership of the business as part of a wider plan for growth. The current legislation is too restrictive in certain areas and we are hopeful of a resolution in the not too distant future.

Lastly, I would like to extend my thanks to those of you who invested in our most recent VCT offer for Maven Income and Growth VCT 6, and welcome those shareholders who have invested for the first time. At the time of writing that offer had attracted over £12 million of investor subscriptions on a maximum offer size of £15 million. The offer remains open until the end of June for the 2016/17 tax year.

I hope you enjoy this edition of the Maven newsletter.



## New VCT Investment

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# TIMES ARE CHANGING

**Maven is supporting the roll-out of a new  
online GP consultancy service which is set to  
make waiting times a thing of the past**

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Maven has completed a £2.5 million investment in The GP Service (GPS), a provider of online services for general medical consultations and prescriptions. The investment will enable GPS to accelerate the roll-out of its service across new geographical locations, and develop a range of products and services where there are strong market drivers.

GPS is led by experienced entrepreneur Atul Devani as Executive Chairman. Atul was the founder of United Clearing, which he grew from start-up to listing on AiM in 2004, before that business was eventually sold in 2006 for £25 million. He then served as CEO of BSG's wireless division prior to its trade sale to Syniverse Technologies for \$290 million.

The online pharmacy and prescription market is an emerging sector in the UK, driven by an increase in average waiting times for GP appointments as well as surgery opening times being unsuitable for people's busier lifestyles. This has resulted in an increased demand for alternative methods of accessing medical advice and treatments. GPS addresses this issue by offering a solution which enables customers to tailor their healthcare needs around work and family commitments.

The GPS web-based platform ([thegpservice.co.uk](http://thegpservice.co.uk)) is already fully operational, with GP consultations being delivered live via video link direct, and prescriptions issued to a pharmacy of the registered user's choice. With the service operating daily from 7am to 8pm, it provides the flexibility required by people who are currently unable to visit a doctor or obtain a prescription within traditional surgery opening hours.



"I am delighted to have Maven on board as part of this exciting revolution in Healthcare. Whether you're a busy individual that needs to see a Doctor at a time convenient for you, or an employer offering the service as a benefit and avoiding the inconvenience of the need to take a day off, we are able to provide a solution for you. In utilising the funds raised, GPS has planned a number of exciting, innovative products and services that we aim to launch into the marketplace."

**Atul Devani**  
Executive Chairman of  
The GP Service

## New VCT Investment



“GEV has grown its operations over the past few years and has been successful in retaining a strong presence in its traditional oil and gas markets, together with developing a market leading position in the renewables sector, for the provision of wind turbine blade maintenance activity. The investment secured through Maven will provide the catalyst required to fund further expansion in the key areas of our business and allow for the required infrastructure investment to support our growth ambitions.”

**David Fletcher**  
CEO at GEV

# BLADE RUNNER

**Specialist renewable engineering group secures Maven investment to accelerate its expansion plans**

In October Maven invested in GEV Group, a fast growing and diversified business with a key focus on the renewables sector. The GEV Group is comprised of four independent businesses which operate across multiple markets and global locations; GEV Wind Power, Subsea Masters, Oxifree and GEV Offshore. The investment from Maven will provide the Group with the additional development capital it needs to support its ambitious growth plans, and will allow GEV to capitalise on the projected growth in wind power, driven by global emissions and fossil fuel reduction targets.

The Group's largest entity, **GEV Wind Power**, is one of Europe's leading wind turbine blade inspection and repair specialists. Based in Hull, it has established key partner relationships with wind farm owners and turbine manufacturers worldwide.

**Subsea Masters** is a skilled engineering provider to the deep water drilling industry, based in the highly strategic location of Las Palmas, Gran Canaria. Las Palmas is a key transition point between the major offshore regions of West Africa, Brazil and the Gulf of Mexico, providing a stable and safe environment for rig operators to complete maintenance activity.

**GEV Offshore** provides a wide range of services including the supply of project teams specialising in construction, maintenance and asset integrity for the energy services sector. GEV also holds master UK distributor rights for **Oxifree**, a cost-effective solution for corrosion problems, creating a protective shield around metals used across a range of industries.

The GEV business has grown significantly in recent years, now employing 145 staff with annual turnover exceeding £10 million.



Interior fit-out of the Corinthia Hotel, London, by investee company EE Smith

# PRIVATE EQUITY CONTINUES TO DELIVER

Investors today have a wealth of information at their fingertips in real time, and a greater awareness of the world of business and finance than ever before. The rise of the digital economy, alongside persistently low interest rates, means that sophisticated investors are looking further afield to access investments where they can combine attractive levels of income with the prospect of a medium term capital gain. At a time when there is a broadly held view that conventional quoted equities, bonds or commodities may be fully valued, or where the level of volatility does not match the return potential, investing directly into a private equity backed business has become an appealing option for some sophisticated investors.

Maven has been developing its Investor Partners business since it was established in 2009, allowing Professional Clients to invest directly as part of a syndicate into a small number of private company transactions every year, structured for both income and capital gain potential. One of the earliest Investor Partners transactions was the management buy-out of Westway Services, which is featured on page 9 of this issue of *Creating Value*, a deal where our team led the initial buy-out to acquire the business, and subsequently also led a secondary transaction in 2014 to allow a founder to exit. The eventual sale to a listed US buyer last year delivered a cash-to-cash money multiple of 6.5x over the life of the investment. Whilst that return is exceptional, Maven enjoys a track record of consistently generating returns on individual realisations in excess of 2x initial investor capital commitment over a typical 4-5 year holding period.

The UK is one of the most developed markets in the world for M&A and private equity activity, and Maven's Investor Partners are able to access a number of private company investments every year sourced by our executive team across the country. Participating investors benefit from professionally vetted and structured transactions, where Maven is actively seeking to work with each management team to grow the business prior to an eventual sale, in all cases targeting a healthy investor return.

## Investor Partners

*Investor Partners* have recently invested in several interesting private company transactions. These include:

**EE Smith** is a premium contracting joinery business based in Leicester, servicing the luxury hotel and residential markets. First established in 1897, the business now employs 150 people and sales are projected to reach £40 million this year.

**Westfield Medical** manufactures specialist sterilisation barrier products for the healthcare and industrial sectors from its base in the West Country. Westfield is now one of the leading suppliers into the European market, with an expanding international footprint, servicing markets in the Middle East, Asia, Africa and the Americas.



**Suzanne Lupton**  
Director of Co-investment



## IMPACT OF EU STATE AID RULES ON VCT INVESTMENT

Ever since VCTs were first established in 1995 by the then Chancellor of the Exchequer, Ken Clarke, there have been a number of updates to the rules governing how and where VCTs can make investments; alongside changes to the levels and structure of tax reliefs for shareholders in those VCTs. The key principle applied in introducing changes to the investment rules has conventionally been that such changes are forward looking; in other words any new rules would operate only in respect of monies raised by VCTs after that particular change became law, whilst funds raised prior to any legislative changes were able to continue to invest under the previous regulatory environment.

This “grandfathering” of funds through the various changes to VCT investment rules over the years has underpinned the successful investment strategies developed by a number of VCT managers. In particular this allowed VCTs to support management teams to buy the companies they run through management buy-outs (MBOs), and to invest a significant portion of the VCT funds via secured loan notes earning interest which, when paid to the VCT, helps to support regular and valuable dividends to investors.

In the 2012 Budget the investment rules were changed so that any monies raised thereafter by VCTs could only be invested in development capital or growth finance projects, such as funding the roll out of a new product or investing in new plant and machinery. At the same time, the permissible structure for a VCT’s investment was also altered, such that no more than 30% of any investment into a company could be by way of interest bearing loan notes. Crucially, these changes allowed funds that had been raised before the effective date to continue to be invested on the earlier basis, in a wide variety of transaction types including MBOs.

The Budget of July 2015 brought the UK into line with EU State Aid rules by imposing specific limitations on the type and age of underlying businesses in which VCTs can invest, but for the first time rule changes were to be applied to all VCT investments made after implementation of these new rules, regardless of when the VCT monies were raised.



**Andrew Ferguson**  
Partner



“VCTs will continue to evolve and adapt to these changes...”

Whilst existing embedded VCT portfolio investments will of course continue to be qualifying, any new investments made after the Finance Act received Royal Assent in November 2015 have to comply with these new rules.

It is fair to say that these changes were unexpected, with the VCT community anticipating that the range of investments open to VCT managers would remain unchanged. Despite subsequent representations from a broad range of VCT managers and advisers, in making the case that the rules as proposed could be detrimental to both the SME sector and the range of tax-incentivised investment opportunities available to attract private investors to this important economic sector, HM Treasury (HMT) was unable to amend the proposed new rules or provide for any transitional measures.

It is notable, however, that the interpretation of these rules by other European governments differs markedly, such as in Germany where the state owned banks have no such restrictions on their investment activities but are effectively providing State Aid to smaller companies; and in some other EU countries where replacement capital transactions are allowed, whereby minority stakes can be acquired from shareholders wishing to sell shares as part of a wider transaction focussed on providing growth or expansion capital to a private company.

The one potential area of change over the next twelve months is that HMT has usefully stated a willingness to look at the scope for amending legislation to allow VCTs to provide replacement capital on a similar basis to that outlined above. Such a measure would go a long way to assisting the VCT industry, and allow greater flexibility in future transactional activity.

Whilst certain transactions may be closed off to our VCT investors, Maven continues to benefit from a significant flow of new investment opportunities every year on account of our local teams and regional office presence in six key UK cities. This ‘boots on the ground’ approach helps to ensure we see a large number of interesting and dynamic VCT qualifying growth companies across the country, and we expect those to continue to emerge as the UK remains at the forefront of innovation and entrepreneurship in world markets.

This view has been supported by successive Governments and recently reinforced by David Gauke, Financial Secretary to the Treasury, who said: *“We thank the VCT sector for the important role it plays in helping SMEs start, grow and reach their full potential. Without a doubt some of these companies will be the superstars of the future”*.

VCTs have now been in existence for over 20 years and, given their long history, it is perhaps unsurprising that there has been a number of changes to regulation. Notwithstanding the new legislation, VCTs will continue to evolve and adapt to these changes, and play their part in supporting the SME sector in the UK.





“We are excited about the next phase in the expansion of our business on the back of a platform achieved with the constructive support of Maven since 2010, and an encouraging pipeline of opportunities. We’ve worked closely with Maven’s Aberdeen team, whose advice, support and knowledge of the sector has been a key part in our success, as well as allowing us to access industry expert advice from other Maven portfolio companies.”

**Mark Cavanagh**  
Managing Director at  
XPD8

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# INTEGRITY IS THE KEY

**The sale of XPD8 Solutions to John Crane Group delivers a profitable energy services exit for VCT shareholders**

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In October Maven sold Aberdeen-based energy services business XPD8 Solutions to John Crane Group, a division of FTSE 100 listed Smiths Group plc.

Formed in 2003, XPD8 provides cost-effective asset management and integrity management solutions to a global customer base, including bespoke software tools and skilled engineers specialising in asset integrity services.

With bases in Aberdeen and London, XPD8 has expanded its presence in international markets and now caters to a blue-chip customer base that includes Tullow, Aker, Apache, CNR and Wood Group PSN. Integrity services is an area of increasing focus for the oil & gas sector as businesses seek to control costs and maximise production at a time when oil prices have fallen.

*“With Maven’s support, XPD8 management performed well after we invested in 2010 and this exit achieved a positive return for our investors. Working in genuine partnership with Maven throughout, Mark Cavanagh and his team have built a reputation for excellence and a business that offers best-in-class service in a sector where the ongoing emphasis on integrity services is key for customers. XPD8 is proof that high calibre management teams can still deliver growth, even in a challenging oil & gas market.”*

**Jock Gardiner, Partner at Maven**



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# LOOKING TO THE WEST

**US trade buyer looks to grow its UK footprint  
by acquiring Westway Services, generating a  
6.5x total return over the life of the investment**

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In December Maven sold its investment in Westway Services, a provider of facility solutions to the built environment, to US-based ABM Group; generating a 6.5x total return on the original investment for Maven clients.

Founded in 2001, Westway provides an integrated range of technical building services on both planned and reactive maintenance contracts. The business has evolved to offer clients a full range of mechanical and electrical engineering services covering infrastructure such as heating, ventilation, air conditioning, refrigeration, and electrical installations.

Maven led the original MBO of London-based Westway in 2009 and has since helped the business grow its footprint throughout the UK. At the time of the original Maven investment, Westway had a turnover of less than £10 million and employed 38 people from a single office location in West London. Under the leadership of Managing Director Andy Donnell, Westway has achieved significant year-on-year growth and, following a secondary buy-out led by Maven in 2014, has further expanded with forecast turnover set to exceed £50 million this year. The business now employs 535 people across UK offices in West London, Bristol, Glasgow, Leeds, and Northampton.

*“Maven has consistently seen the potential of Westway’s business model, having backed the management team on two occasions, and this sale demonstrates the high regard in which the business is held amongst its clients. The growth in turnover, profit and employees is an excellent example of how Maven’s ability to offer flexible funding solutions can help businesses like Westway fulfil their maximum potential.”*

Andrew Symmonds, Investment Director at Maven



WESTWAY

“Since their initial investment in 2009, Maven have supported the management wholeheartedly to achieve their goals. They have worked with the team to develop a clearly defined strategy and allowed them the autonomy to execute it. The opportunity for Westway to move into the ABM Group provides an excellent vehicle for it to continue its impressive growth.”

**Andy Donnell**  
Managing Director at  
Westway Services



“Maven have been entirely supportive of Dantec and the management team during our time together, understanding our goals, aims and aspirations, and we always felt that our next step would be a trade exit. Maven were sympathetic towards our desire to find such a buyer who could match our long term ambitions whilst safeguarding the existing company structure.”

**John Laidlaw**  
Managing Director at  
Dantec Hose

# IN POLE POSITION

**Maven sells its stake in Wirral-based manufacturer Dantec Hose, a Formula One trusted supplier, delivering a 2.1x total return**

In February Maven secured an exit from Dantec Hose, a manufacturer of composite hoses for the global petrochemical market. The sale to Germany based Elaflex-Gummi Ehlers GmbH generated a 2.1x total return for Maven clients.

Maven originally led the MBO of Dantec in September 2011, and has supported the business in implementing a number of financial and operational improvements which led to geographical and sectoral expansion of its customer base. Established in 1969, Dantec has grown to become one of the leading manufacturers of composite hoses for bespoke petrochemical, marine and industrial applications, including supplying refuelling hoses for Formula One. Around 70% of Dantec's turnover is from overseas markets, with products now sold in over 50 countries.

Dantec is renowned for product quality, technical excellence and innovation, and was the first composite hose manufacturer to achieve the coveted ISO 9000 status. Composite hoses provide the vital flexible connection for a wide variety of fluid transfer systems, including those used with gas, petroleum and chemicals. Manufacturing quality and safety standards are vital for the integrity of composite hoses, with customers requiring flexibility, light weight and a wide range of chemical resistance.

*“Elaflex is both a supplier and customer to Dantec so a strong working relationship has been built between the two businesses. Importantly Elaflex holds similar long term ambitions to the team at Dantec, which was instrumental in delivering the deal.”*

Ryan Bevington, Investment Director at Maven



## VCT 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](mailto:vcsts@capitaregistrars.com). Shareholders can also register at [www.capitashareportal.com](http://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 valid, signed letter of authority to obtain information on the shareholder's behalf.

*\*Lines are open 0900 to 1700, 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](#) and [LinkedIn](#).

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



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The logo for Maven Capital Partners, featuring the word "MAVEN" in a large, bold, white sans-serif font, with "CAPITAL PARTNERS" in a smaller, white sans-serif font directly below it. The background of the entire page is a photograph of several white wind turbines on a hillside, with a town and hills visible in the distance under a clear sky.

**MAVEN**  
CAPITAL PARTNERS

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