



# FEMALE FOUNDERS FORUM: ROUNDTABLE 4

BRIEFING PAPER

## FOREWORD

Britain is in the throes of an entrepreneurial revolution, with over half a million companies launched here each year. While we are home to thousands of inspiring smaller businesses, the challenge now is to ensure that the best of these businesses have the environment and the support they need to scale and grow.

Despite today's challenging macroeconomic conditions, we are confident in the pipeline of growing companies looking to float on London Stock Exchange this year. We work closely with a vibrant community of investors, advisory experts and large corporates to ensure that the UK is a competitive environment in which to grow a business for the long term.

We spend a significant amount of time speaking to management teams and their investors about their capital raising strategies, explaining the fundraising options available to them and how they might prepare the business to secure future financing. Investors, fundamentally, are looking for well-prepared management teams who have a strong business vision. Our advice would always be to prepare as early as possible for an IPO and not be afraid to ask questions about the process.

Our ELITE programme, which launched in the UK three years ago, has helped almost 90 UK companies prepare for growth and investment. The 18-month programme works with management teams to educate and guide them on best practice and securing growth financing, talent management and investor engagement. The community includes some impressive female entrepreneurs among its members – from Unruly co-founder Sarah Wood to Susan Rogerson (Ethical Property Company) and Virginie Charles-Dear (toucanBox). And we are actively trying to bring more female role models to the fore, by offering two scholarships of £7,500 to exceptional female entrepreneurs or CEOs joining ELITE in each cohort.

There are a number of routes to the public market, but most growth businesses in the UK look to the Alternative Investment Market (Aim). It offers a network of advisers and liquidity providers who understand the needs of growing companies and are able to support them throughout their journey as a public company. In addition, Aim has a regulatory approach that recognises the needs and capacities of growth companies.

**THE ENTREPRENEURS  
NETWORK**

23 Great Smith Street,  
London, SW1P 3DJ  
+44 (0)20 7222 4995  
[www.tenentrepreneurs.org](http://www.tenentrepreneurs.org)

Over the last three years we have seen the nature of new Aim companies evolve. Compared with a decade ago, the average Aim company is significantly larger (£88m market capitalisation versus £17m in 2005) and raising more capital (£30m versus £5m in 2005). 2016 saw household names Hotel Chocolat, Joules and Hollywood Bowl join the junior market – and long-standing members, such as female-founded Portmeirion, are still performing well.

And Aim finished 2016 on a high: the 38 companies that floated on the market ended the year up 39 per cent on average. Yet with a backdrop of economic uncertainty, investors will continue to scrutinise companies coming to market. Businesses looking to float must be prepared.

*Emma Titmus, Business Development Manager, London Stock Exchange Group*

*December 2016*

## **INTRODUCTORY REMARKS**

### **LUCY TARLETON, DIRECTOR – UK CAPITAL MARKETS TEAM, PWC**

The motivation to IPO may be on the wane, given the increasing availability of private funding, and potentially higher valuations being achieved privately. That said, there may come a point in a company's lifecycle when joining a public market is the natural next step.

At PwC, we work with private companies to guide them through the IPO journey, be it on Aim or the Main Market. We meet them early – usually six to 12 months before the banks jump on board – because the key to a successful IPO or exit is preparation.

I'm often asked about the right time to float. Markets may be wobbly, but the money is still there, and it's important to be prepared as markets can open again very quickly.

Our work focuses not just on financial reporting, but the wider equity story. How does the business plan fit into that story? Once that is established, we can sit with the management team and discuss reporting, controls and procedures. Do they produce audits? If not, they need to act sharpish. This doesn't just apply to companies with an IPO in mind: all investors will be looking for credibility around a potential investment's numbers.

Next we turn to the overarching strategy: how does the CEO manage the business? What are its Key Performance Indicators and how are these being achieved on a weekly, monthly and yearly basis? Do they set a budget? Is it ever reforecast? If plans go awry, do they look at the reasons why?

Investors invest in people: a strong management team with the right people to take it to the next level. It's not uncommon for entrepreneurs to feel they've taken their venture as far as they can, and bring in someone new with more experience dealing with larger businesses or public companies.

But it's not just about the internal people – external advisers are also vital to a business's survival. This is where we sometimes step in: we have a vast network and can point clients in the direction of suitable non-executive directors, or even just people they can speak to in a more informal capacity. There are no stupid questions: it is a challenging process and we encourage clients to ask, prepare, and plan as much as possible.

## **EMMA SINCLAIR MBE, FOUNDER, ENTERPRISEJUNGLE**

### **I. WIDER CONCERNS**

Irina Pafomova, co-founder and managing director at Shopitize, has considered floating on the Australian Stock Exchange. "It's a very different market to here – lots of natural resources and liquidity." While it's still under consideration for her shopping app, she is concerned about the regularity of reporting. "I wonder how you execute the longer term strategy if you are auditing bi-annually," she says.

Another concern is whether the stock value represents the fundamentals of a business, or whether market volatility means founders risk speculation on their stock. Financiers might question why business owners would subject themselves to so many factors outside their control: be they global affairs, geopolitical matters, or market uncertainty. But plenty of people do it. For Emma Sinclair MBE, who floated a company on London Stock Exchange at just 29, access to markets and the liquidity which came with it was key. "But I was also young and inquisitive," she said.

Emma Titmus thinks communication is key. "You come into the market with a promise to investors about what you're going to do and how you will execute it. Clearly there are times when unforeseen events mean a company might miss their numbers, but provided you are not dramatically changing the direction of the business and investors understand its vision, there is enough flexibility on London markets to grow the business how you want."

### **II. UNCONSCIOUS BIAS**

Gender bias in venture capital has hit headlines with stories of challenges women-led startups face. Karina Robinson of Robinson Hambro thinks it's largely unconscious: "99 out of 100 businesses which go in front of VCs are led by a man. Most of the institutional investors are male. They may not be aware of it, but the bias is there." Yet it's not just a supply-side issue: "My male clients don't apologise for their existence," Robinson added.

Certainly, it takes chutzpah. As one attendee pointed out, not all entrepreneurs will have the stomach for it.. It's like the exposure you get from being on television. Some people would wonder 'why bother?'" said Sinclair. But Tarleton pointed out that visibility can be boon to many businesses. "It can boost your profile not just with investors but the media, customers and suppliers too. I know of companies, which are listed on Aim, whose IPO enabled them to secure global contracts," she said.

As discussed, women-led businesses are underrepresented on the London Stock Exchange, which may explain why some entrepreneurs around the table hadn't even considered it part of their longer-term plans. "It has never crossed my mind," said Phoebe Gormley, whose business is now two years old and will be doing a Series A round in the spring. This is all the more surprising when you consider that her father is Rowan Gormley, who founded Naked Wines and is currently CEO of Aim-listed Majestic.

Titmus thinks both education and creating a vibrant ecosystem are key for encouraging more female-led organisations to IPO. London Stock Exchange's ELITE programme (launched in 2014) prepares ambitious private companies towards future growth investment of all types. Last year saw the launch of a scholarship for female led/founded companies offering 50 per cent off the programme fee. "We saw the numbers of female CEOs in the programme rise to 40 per cent but we want to make it 50," she said. The programme has been invaluable to companies considering their exit options and has already helped over 90 of the UK's fastest growing companies to scale. Other programmes focused on companies at different stages or in search of sector specific support are worth considering – for example Goldman Sachs 10,000 Small Businesses and Tech City's Future 50.

### **III. CROWD MENTALITY**

The programme was put to the proof: The Ethical Property Company has been on ELITE for the past six months. "The IPO process remains daunting, but it feels accessible now," the firm's managing director Susan Ralphs said. "I feel more comfortable in that environment. But there needs to be more signposting."

While Titmus thinks it a "myth" that floating on the LSE leads to a loss of control, Hambro believes it is a big concern to the female entrepreneurs in her network. Yet with the rise of crowdfunding, shareholder bases are growing ever bigger. Juliet Rogan of Barclays pointed to the value of a community which is both invested in your business and willing to buy your product or service. "A number of M&S shareholders are also customers: loyalty is key," said Sinclair. Further, crowdfunding has opened a retail environment of people understanding investment and getting a feel for holding stock. And around a quarter of the investor community at Crowdcube (itself an ELITE member) is female. "If we can get that mentality further up the chain, we could increase the participation of retail investors on our markets," said Titmus.

But crowdfunding has its limitations. First, there is a cap on how much can be raised (the biggest crowdfunding round of 2015 was secured by Mexican burrito brand Chilango, which raised £3.433m). This figure represents the third biggest round in UK crowdfunding history. Another drawback, as Sinclair pointed out, is the lack of secondary market. And finally, these are high-risk investments where likelihood of failure is high. If novice investors are stung here, it could ruin their appetite for larger investments.

#### **IV. AIMING HIGH**

London, unlike other exchanges, has a choice of markets for companies at different stages of their growth cycle – Aim and the Main Market, which includes its High Growth Segment. According to Titmus, London Stock Exchange Group saw fewer IPOs in 2016. Brexit hasn't helped – investors have displayed nervousness and IPOs have been cancelled or decreased in value due to the vote. Tarleton pointed out that the default listing venue for high growth technology companies has typically been across the pond, but London has started to challenge the US exchanges with the IPOs of Worldpay, AutoTrader and Sophos in 2015. But Aim finished 2016 on a high, as the 38 companies that floated on the market ended the year up 39 per cent on average.

The junior market allows smaller companies to participate with greater regulatory flexibility than applies to the Main Market, providing a lower-cost alternative for SMEs seeking investment. “The idea of Aim is to be more flexible, offering a less onerous process for growing businesses,” said Titmus. But Karina Robinson, whose business specialises in board search, said the requirement to communicate with investors means “huge” upfront cost for entrepreneurs. “There are significant corporate governance requirements, even on Aim,” she added. Indeed, analysts predict that floating on Aim can cost anywhere between £400,000 and £1m – so for businesses with a projected market capitalization of less than £25m, it may not be worth considering.

It hasn't stopped the market from surging in popularity since 2013, when Aim shares became eligible for inclusion in Individual Savings Accounts (ISAs). As LSE's chief executive Xavier Rolet pointed out recently: “We need to carry on fostering a richer and more diverse entrepreneurial ecosystem, so that the UK's high-growth firms can take root and flourish.” Although floating a business is just one of many paths to growth, it needs to remain a workable option. “I would encourage everyone to think of it as a real option from early on,” said Sinclair.

## **LIST OF ATTENDEES**

6

**Jennifer Arcuri** – Founder, Innotech & Hacker House  
**Silvia Biscaldi** – European Capital Markets, Barclays Bank  
**Miranda Brawn** – Director, Daiwa Capital Markets  
**Annabel Denham** – Programme Director, The Entrepreneurs Network  
**Dana Denis-Smith** – Founder & CEO, Obelisk Support & First 100 Years  
**Phoebe Gormley** – Founder & Tailor-in-Chief, Gormley & Gamble  
**Victoria Gregory** – Media Relations Manager, Barclays  
**Alison Leavy** – High Growth & Entrepreneurs Proposition Lead, Barclays  
**Irina Pafomova** – Managing Director & Co-Founder, Shopitize  
**Yessi Bello Perez** – Journalist, Tech City News  
**Susan Ralphs** – Managing Director, The Ethical Property Company  
**Karina Robinson** – CEO, Robinson Hambro  
**Juliet Rogan** – Head of High Growth, Barclays  
**Heather Russell** – Founder, Biscuit.io  
**Philip Salter** – Founder, The Entrepreneurs Network  
**Emma Sinclair MBE** – Founder, EnterpriseJungle  
**Anna Sofat** – Founder, Addidi Wealthw  
**Amelia Stewart** – Research Associate, The Entrepreneurs Network  
**Lucy Tarleton** – Director, UK Capital Markets Team, PwC  
**Emma Titmus** – Primary Markets, London Stock Exchange Group  
**Imogen Wethered** – Co-Founder & CEO, Qudini