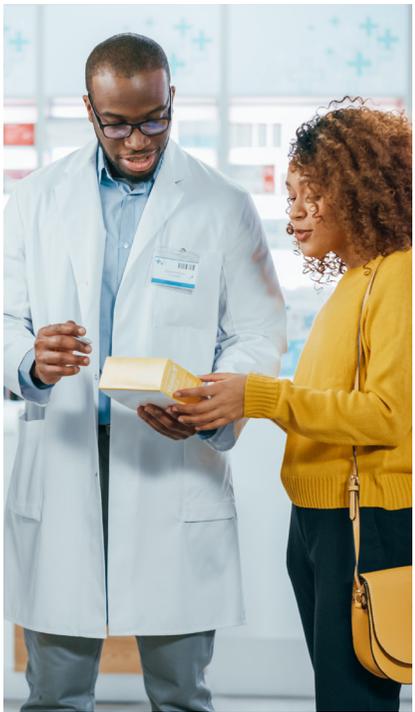




Nations & Regions

Scotland

Private Equity and Venture
Capital Creating Public Value



About this report

This report has been produced by the British Private Equity and Venture Capital Association (“BVCA”) to demonstrate the activities of our members in 2021. The statistics in this report are largely drawn from the BVCA’s Investment Activity Study, a detailed and comprehensive survey of our members’ activity in the year, covering fundraising, business investments and business exits.

With a significant presence in the UK, developed over nearly 40 years, private equity and venture capital provide companies with the finance and know-how to deliver sustainable business growth. Active ownership, over the medium to long term, delivers economic and social value to those involved in the businesses (from employees, management and owners on the one hand, to customers and suppliers on the other) and a wide group of stakeholders (from local communities and local and regional economies, to national policy makers focused on issues such as climate change, diversity and inclusion and social justice).

Both private equity and venture capital are focused on delivering sustainable growth for the companies in which they invest: venture capital firms typically support early stage and younger companies, holding minority stakes in the businesses, while private equity firms typically acquire controlling stakes in more established businesses.

In this report we look at the story of investment in Scotland in 2021: how the BVCA’s members invested in businesses of all shapes and sizes, across all parts of the economy and across the entirety of the nation.

“

Scotland is a nation teeming with innovative businesses and ambitious entrepreneurs. For example, the tech ecosystems in Glasgow and Edinburgh are now ranked amongst the top 5 in the United Kingdom. Private capital firms, of all shapes and sizes, are alive to the many fantastic opportunities available to fund and support Scotland.

This report demonstrates how the private capital industry is investing in Scotland’s businesses of today and the businesses of the future, playing its part in addressing the climate crisis, making people’s lives better and making a significant contribution to the economy in Scotland and the whole UK.



Charlie Troup, BVCA Chair 2022/2023,
Managing Partner, Duke Street Capital



Foreword

Private capital invests in potential – good ideas, good people and good businesses. And this potential is found right across the United Kingdom.

This report is the latest in our series that highlights the investment made by private equity and venture capital in the nations and regions of the UK. **In this third publication, we focus on Scotland** and how BVCA members supported businesses across the country in 2021.

Plentiful opportunity

Last year's statistics are strong, demonstrating an industry that sees huge potential in Scottish businesses and the innovative and ambitious entrepreneurs behind them. In 2021 alone, firms headquartered across Scotland received £895m of support from the BVCA's private equity and venture capital members. Compare that to the £213m and £271m of 2020 and 2019 and you see an industry that is now fully awake to the opportunities the country has to offer. And this support drives business growth; creating jobs, bringing value to local communities and helping shore up economies around the country in turbulent times.

Furthermore, this investment is powering small-and-medium sized businesses across Scotland, with 9 in 10 of those supported employing fewer than 250 people. This is unsurprising when you consider the blossoming tech ecosystems across the country. Edinburgh and Glasgow, for example, are both in the top 5 destinations outside of London for tech start-ups¹.

¹CBRE UK Tech Cities Report 2022

Scotland's universities are also key drivers of this increase in private capital investment, with institutions like Strathclyde, Stirling and Dundee producing more potentially revolutionary spin-outs than ever before.

This includes companies like Mironid, which began life in Heriot Watt University and the University of Strathclyde, and works to improve the health and quality of life of patients with rare genetic kidney disease.

Work to be done

Despite Scotland's continuing evolution as a destination for private capital investment – as illustrated by the industry's dramatic increase in support – there are still some hurdles that must be overcome for it to fully realise its potential. Later in this report we look at how lack of access to local capital could be preventing start-ups from maturing, as well as hearing from the Scottish National Investment Bank about how it is supporting the nation to achieve a Net Zero economy; addressing the innovation and productivity challenges facing the nation; and tackling place-based inequality. Scotland has already produced unicorns like Skyscanner and BrewDog, and can certainly be home to many more in time.

Looking back to look forward

As we know, the world looks very different now to how it did in 2021; the ongoing Russian aggression in Ukraine has created an economic and energy crisis in most major economies, resulting in increasing interest rates and higher inflation. Political instability in the UK has only added to the uncertainty.

However, even in difficult and turbulent times, private equity and venture capital's support for Scotland, Scottish businesses and businesses across the entirety of the United Kingdom will remain. The industry is a resilient one, and one that has supported companies – with both funding and a hands-on management approach – through downturns before; the 2008 global financial crisis being one, and the Covid-19 pandemic another, more recent, example.

It is this steadfastness, eye for opportunity, and desire to build better businesses over the long-term that aligns the private capital industry so closely with government pledges to sustainable economic recovery and growth. Both the Scottish and UK Governments have outlined their commitments to achieve this, and it is clear the private capital industry can play, and is playing, a pivotal role in this.

With thanks

Throughout the rest of this report, we will look in more detail at the investment statistics, hear from those who support businesses in the area and from those businesses themselves. We are delighted to showcase Scotland in this publication and I would like to thank all BVCA members, their portfolio companies and other contributors who supported us in doing so.



Michael Moore
Director General, BVCA



Scotland in numbers

Total invested

£895m

amount invested in
Scottish businesses

Footprint

88

companies backed

Investment

5%

of amount invested

Employment

133,000

jobs supported

VC

47

companies received
Venture Capital support

Growth

24

companies received
Growth Capital support

Tech Hub

57

companies in
tech supported



Figures from BVCA Report on Investment Activity 2021



Contents

Analysis

Private Capital: Supporting Scotland's tech evolution	06
Local VC Capital: a pressing problem	08
The Scottish National Investment Bank overview	09
A journey around Scotland	11

Case studies

ASTRAK	12
AutoRek	13
BSW Timber	14
Cyacomb	15
Glacier Energy	16
Lomond Group	17
Mironid	18

Modulr	19
pureLiFi	20

Further resources

Contacts & useful resources	21
Acknowledgements	22



Private Capital: Supporting Scotland's tech evolution



The UK Government has spoken frequently about its ambition to turn the UK into a science and tech superpower and ensure more broadly that the UK remains one of the best places in the world to start and grow a business.

Similarly, the Scottish Government, as set out in its [“National Strategy for Economic Transformation”](#) paper in March, aims to make Scotland a leader in R&D, a nation of entrepreneurs and innovators who have embraced new technologies, and a magnet for global private capital.

Their paper incorporates key recommendations from Mark Logan’s 2020 review of Scotland’s tech ecosystem. Logan was Chief Operating Officer of SkyScanner, Scotland’s first ‘unicorn’; he identified

3 fundamental areas - Education, Infrastructure and Funding – that will support Scotland’s tech ecosystem to mature fully. In turn, this would support Scotland’s economic recovery post-pandemic as well as Scotland’s economic prosperity long into the future.

BVCA data shows that private capital is rising to this challenge. In 2021 £895 million was invested by BVCA members into 88 Scottish companies. This amount is a significant jump on the previous years, with 2020 and 2019 seeing £213 million and £271 million invested into 76 and 63 companies, respectively.

Looking at tech specifically, including all ‘sub-genres’ like fintech, biotech, cleantech and deeptech, 2021 was impressive: BVCA members invested £321m into 57 tech firms, equating to 36% of all investment into Scottish business that year and 65% of all companies

supported in Scotland. In 2020, that amount was £49m into 53 tech companies, and £18m into 30 tech companies in 2019¹.

This increase indicates that the ecosystem was already evolving. And as it grew to support more small, ultra-high-growth potential firms, private capital investment followed. It is, of course, the industry’s business model to seek out these types of companies and provide them with the funding and guidance they need to succeed.

Behind this strong upward trend for investment in Scottish tech in 2021 is a combination of a post-Covid resurgence as well as leveraging Scotland’s world-class universities which drive innovation and spin-outs (a selection of which are showcased in this report) as well as generate skilled and ambitious talent.

¹In 2020, the amount invested in Scottish tech equated to 23% of all investment in Scotland, and the number of tech companies was 70% of all companies invested in. In 2019, the amount invested in Scottish tech equated to 7% of all investment and number of tech companies was 48% of all companies invested in.



Private Capital: Supporting Scotland's tech evolution

£321m

invested into



57

Scottish tech firms
equating to



65%

of all companies supported
in Scotland

However, Logan's recommendations - and support for them from the Scottish Government - will have also played a part in private capital's increased attention in Scottish tech, particularly in 2021.

Despite it still being relatively early days for many of the report's suggestions, positive progress is being made. A contract for seven new "Tech Scalers" has

been agreed, with the sites soon to open in Glasgow, Edinburgh, Aberdeen, Dumfries, Dundee, Inverness and Stirling. It is hoped that this will drive more private capital into these cities. Likewise, the establishment of the Tech Ecosystem Fund last year, supported start-ups with amounts of up to £50,000. Using this money, companies may have found themselves ready for larger funding rounds, led by VC firms, and

therefore something else to factor into a record year for investment in Scotland in 2021.

As more of Logan's recommendations come to fruition, and the sector continues to demonstrate its resilience in uncertain economic times, investment in Scotland in 2022 and beyond looks set to increase, driving further growth and success of Scotland-based tech businesses.



Local VC capital – a pressing problem

Despite the strong support for Scottish businesses in 2021, access to local venture capital remains a problem for many start-ups and the entrepreneurs behind them.

The 6th annual Scottish Startup Survey, run by the EIE Investor Readiness Programme in association with the Freer Consultancy, found that 88% of founders were looking outside Scotland for the funding needed to support their companies along their growth trajectories.

The largest group of those seeking funding outside Scotland focused on London (46%), while smaller numbers sought American (30%) and European (21%) funding¹. This need not be a problem per se, but it does create some risks.

Firstly, it relies on the founders having the time to reach out to funders – a process which consumes time and effort that could be spent further developing the company and its offering. Secondly, local backing allows for closer guidance of the businesses and the hands-on management approach synonymous with venture capital and private equity backing. Local funders are also more likely to have local connections, from business networks to supply chains, that will be beneficial to the companies they back over the long-term.

There are positive takeaways, though. A VC funding gap indicates an ecosystem that is supporting start-ups to do just that; start up. And BVCA figures show that the private capital industry has noticed; the big

jump in total investment to £895m in 2021 from £213m in 2020 can only be a step in the right direction.

Additionally, the private capital industry is highly mobile, and firms will not shy away from developing physical presences in areas ripe with new and exciting companies looking for investment. As detailed in our report on investment in Yorkshire and the North East, as the business ecosystem in those regions matured, private capital firms were not slow in opening offices nearby to enhance deal-flow. We can only expect the same to happen in Scotland.

¹Scottish Tech Sector Startup Survey 2022



The Scottish National Investment Bank overview



◊ The Scottish National Investment Bank

Since it launched in November 2020, the Scottish National Investment Bank (the Bank) has committed over £267m of investment in 21 projects and companies across Scotland, alongside more than £525 million of third party investment.

The Bank's purpose is to catalyse economic and societal change and stimulate innovation by investing in a fairer, sustainable and ambitious Scotland. It seeks to address three grand challenges facing Scotland through its investments: achieving a Net Zero economy; addressing the innovation and productivity challenges facing the nation; and tackling place-based inequality.

As an impact investor, the Bank is focussed on ensuring that it not only delivers a commercial return on its investments but that its investments also deliver positive social, environmental, and economic impacts that support the delivery of the Bank's missions.

The Bank seeks to invest in projects or businesses requiring £1m to £50m or more of investment to support their growth or development and may take the form of debt, equity or third party funds. It invests where the private sector is unable to provide, either wholly or in part, the capital that an otherwise investible business or project needs. Through its investments the Bank intends to crowd in private sector investors by proving new and emergent

businesses models, technologies and sectors as commercially viable propositions.

Investment to date has included a £10m investment in Edinburgh-based global technology leader, pureLiFi, supporting development of ultra high speed data transmission using the light spectrum. The investment aligns with the Bank's innovation mission and supports the place and Net Zero missions.

The Bank has a particular focus on patient capital and looks to invest strategically, with the potential for follow on investments. This long term support can be valuable to growing businesses that are looking to scale their operations.



The Scottish National Investment Bank overview

More than half of the Bank's investments to date have involved direct investment of growth capital in businesses. This represents more than £90 million of committed investment with an average deal size of £7.75 million – addressing an identified gap in the market for scale up finance.

Investment to date has included a £10m investment in Edinburgh-based global technology leader, **pureLiFi**, supporting development of ultra high speed data transmission using the light spectrum. The investment aligns with the Bank's innovation mission and supports the place and Net Znet zerperero missions.

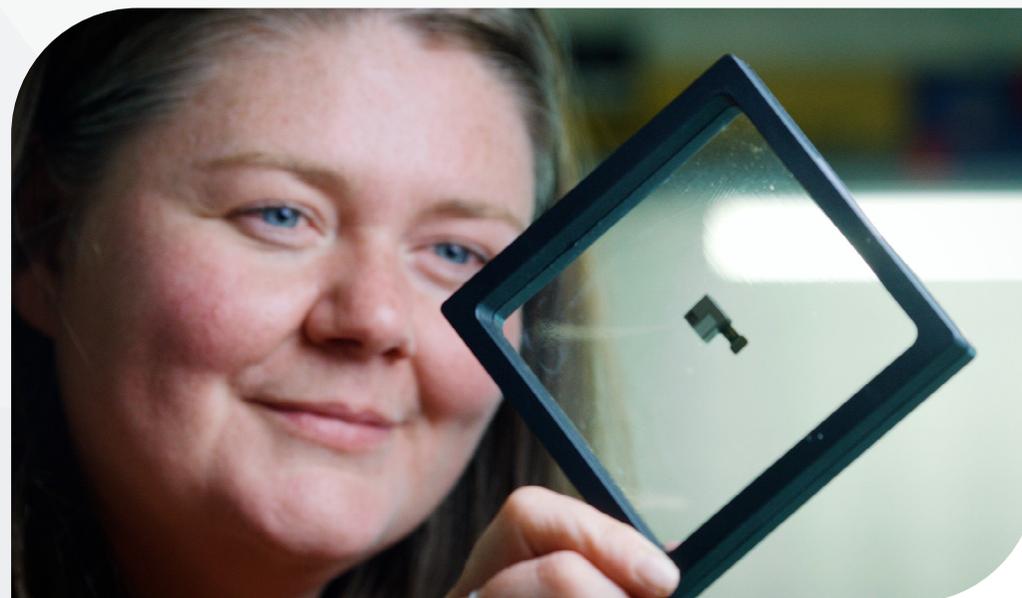
The Bank's £3m investment in **IndiNature** will enable the company to scale up production of its innovative, hemp based insulation materials at a new manufacturing facility in the Scottish Borders, creating long-term jobs and supporting economic activity in the area. The Bank's investments also supported the unlocking of grant funding from Zero Waste Scotland and South of Scotland Enterprise.

Through partnership with the University of Edinburgh, another bank investee, **Sunamp** has developed thermal energy storage technology, commonly referred to as heat batteries. These innovative products can be used in homes as well as commercial and industrial settings to replace or supplement existing solutions.

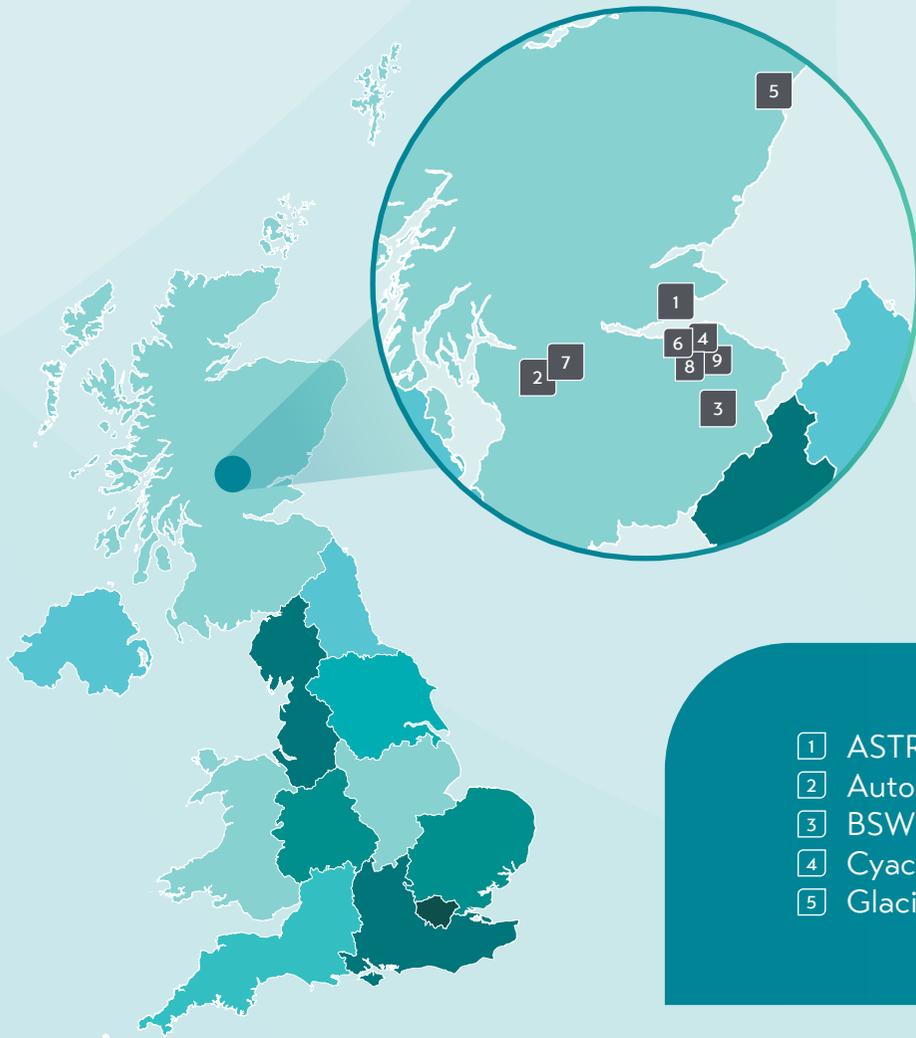
£6m funding from the Bank has allowed the company to continue to scale up production at their factory in East Lothian and will enable Sunamp to work towards future fundraising that will help them deliver on their ambitions for further global growth.

"The Bank's vision for 2030 is to be a perpetual investment fund for Scotland that has a greater than £2 billion mission aligned investment portfolio demonstrating economic, societal and environmental returns. An established, regulated financial institution that is managing and leveraging third party capital having demonstrated a path to new markets and technologies."

Willie Watt, Chairman, Scottish National Investment Bank

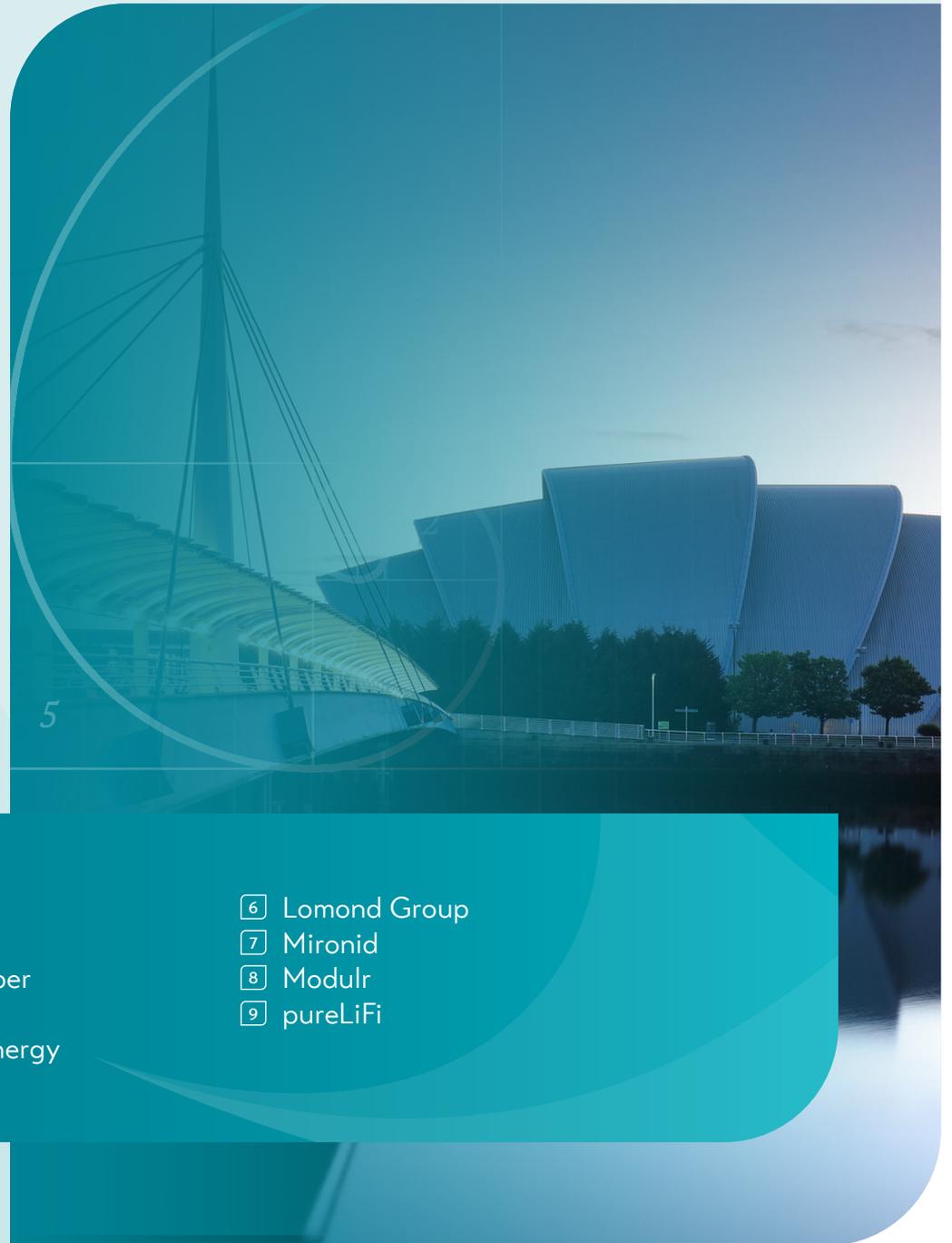


A journey around Scotland



- 1 ASTRAK
- 2 AutoRek
- 3 BSW Timber
- 4 Cyacomb
- 5 Glacier Energy

- 6 Lomond Group
- 7 Mironid
- 8 Modulr
- 9 pureLiFi



Growing family businesses

ASTRAK

Backed by Inflexion



ASTRAK, based in Kirkcaldy, Fife, is a specialist distributor and manufacturer parts for construction equipment. Whether it be an excavator, bulldozer, dumper truck or something else working on hard ground, ASTRAK's products will fit seamlessly over the treads to prevent them from early deterioration.

Founded in 2003, ASTRAK has since established itself as a market leader; employing more than 100 people across its seven sites in Europe. ASTRAK caters to a base of roughly 14,000 customers across Europe who value the high level of service and commitment to quality synonymous with the company.

In March 2022, mid-market private equity firm Inflexion identified ASTRAK's potential for continued and sustainable growth – particularly in France, Germany and Denmark.

Working alongside ASTRAK's founding family and senior management team, Inflexion became the company's first private equity partner since its inception nearly 20 years ago. In the 8 months since becoming involved, Inflexion supported one bolt-on acquisition within 100 days of the transaction as well as being instrumental in sourcing talent, including the appointment of a CFO.

Looking ahead, ASTRAK will accelerate its organic

growth, aiming to double in size over the next five years. This will be complemented by select acquisitions, with another two in the works after the first was signed just three months into the partnership.

The US market is also in ASTRAK's sights. Its recent acquisition takes nearly half of its business from North America, meaning there will be new learnings for the company, as well as putting it in the position to make additional state-side acquisitions.



Growing market leaders

AutoRek Backed by Scottish Equity Partners

AutoRek is a provider of regulatory and financial data management software. Customers range from small innovative start-ups to large global organisations in the banking, asset management, insurance and payments sectors.

AutoRek's platform allows firms to automate and streamline the collection, validation and reconciliation of data. This gives customers transparency and auditability which enables regulatory obligations to be fulfilled. Further to this, efficiency and cost reduction are delivered by eliminating spreadsheets and manual processing.

Scottish Equity Partners (SEP) backed AutoRek in early 2021, spotting a business that had a leading product and a large global market opportunity.

AutoRek is expanding quickly from its Glasgow HQ, winning new customers within the UK market as well as internationally. Since taking investment from SEP, the business has increased headcount by c.70%.

Already strong on the 'E' and the 'S' components of ESG – through long-standing charitable endeavours, community initiatives and sustainability schemes – SEP has assisted in enhancing AutoRek's governance structure. An independent Non-Executive Director and a Chair have been added to the board which has helped to bring software-scaling expertise and new perspectives to the business. There have also been a number of senior additions to the team that have helped to augment an established leadership group within the business.

The future is looking bright for AutoRek, and supported by SEP, the business will continue its expansion both in the UK and abroad. There are plans for further increases in headcount and continued investment in the technology platform as the business looks to expand on its position as an emerging RegTech leader.

The logo for AutoRek, featuring a stylized 'A' icon followed by the word 'AUTOREK' in a bold, sans-serif font.

Supporting sustainable forestry

BSW Timber Backed by Endless LLP

BSW Timber (BSW), headquartered in Earlston, is the UK's largest sustainable forestry and sawmilling business. Comprised of five main divisions – tree nurseries, forestry management, tree harvesting, sawmilling and timber processing – the company operates seven sawmills across the UK with one further site in Latvia and has the capacity to produce more than 1.2 million cubic metres of sawn timber per year.

BSW is truly a heritage business. Founded in 1848 in Earlston – a market town in the county of Berwickshire, within the Scottish Borders – the company now has a turnover of more than £600 million a year and employs around 2,000 people. But it was BSW's well invested operations and deep commitment to sustainable forestry that attracted the attention of Endless LLP, a Yorkshire-based private equity firm, in February 2020.

Endless spotted a company that not only had extreme potential for operational and sales growth, but one that could play a critical role in supporting the UK's commitment to using more local and sustainable materials. The acquisition of Maelor Forest Nurseries was the first step along this journey, bringing onboard a company that produces 30 million tree saplings every year and ensuring the sustainability of the UK's forests. Endless supported a £4 million investment in automation and advanced production at Maelor's existing facility as well as expansion at a new tree nursery in Forres, Scotland.

Now, Maelor produces over 45 million saplings and for every tree BSW harvests, a minimum of five are planted in its place. Endless also helped grow and develop the business through three further acquisitions - Dick Brothers, SCA Wood UK and Bayram Timber - in order to provide services at every level of the supply chain. Dick Brothers gave the business access to tree harvesting capability, whilst SCA and Bayram provided additional timber processing and distribution capabilities. This enabled the business to provide a full range of timber products to customers and grew revenue by c£200 million.

Endless' guidance of BSW, and primarily its investment and support for the company's sustainability goals and growth ambitions, was ultimately what caught the eye of Binderholz Group who purchased BSW in October 2021. The takeover saw Binderholz become the largest solid wood solutions producer in Europe, with the group stating at the time that BSW was a great example of how the "Green Economy ideal is being actively lived in Great Britain" and that "BSW and Binderholz complement each other perfectly for the consistent continuation of the group's sustainability strategy".



BSW
Timber



Making the online world safer

Cyacomb

Backed by Par Equity



Based in Edinburgh, Cyacomb's mission is to make the online world safer. Founded in 2016, Cyacomb harnesses the power of data and technology to pinpoint paedophile and terrorist content. Their cutting-edge technology rigorously sifts through pictures and video at scale and enables secure sharing of intelligence. When applied, the tools assist law enforcement, cloud-based companies and social media to find, block and remove harmful content at speed.

Edinburgh-headquartered Par Equity, led a £5m funding round in Cyacomb in early 2021 – spotting a company that could expand its offering and keep

more people safe online with the financial support and hands-on approach that comes with venture capital.

This included further development of Cyacomb Forensics, which provides unique tools for law enforcement to scan devices for known child abuse or terrorist content up to 100x faster than traditional methods. This replaces processes that can take weeks or months in a forensics lab. The business also offers law enforcement with rapid digital triage for every stage, from suspect examination to offender management, supporting frontline policing and empowering quick decisions. As such, some of the world's most prestigious law enforcement agencies now deploy Cyacomb's technology.

Another key focus for the business after Par's investment was its Cyacomb Safety offering; the ultra-fast moderation and blocking of criminal content, specifically focused on stamping out online child sexual abuse. Based around the same powerful cutting-edge technology as Cyacomb Forensics, Cyacomb Safety helps social media platforms, messaging and cloud content sharing companies find and block this material, providing a vital first line of defence. The technology also enables better regulation, data sharing and uniquely it works in end-to-end encrypted messages without compromising user privacy.



Diversifying into renewables

Glacier Energy

Backed by Maven Capital Partners

Glacier Energy – based in Aberdeen with sites in Glasgow, Methil, Rotherham and Redcar – offers specialist products, services and engineering solutions for new and existing infrastructure in the alternative, renewable, petrochemical and oil and gas sectors.

Using in-house technical expertise, Glacier Energy improves the safety, reliability and efficiency of its clients' critical equipment, keeping those on-site safe, extending the life of the equipment and maximising both operational performance and productivity. Its customer list includes international oil companies, like PBS by Ponticelli, exploration and production companies, like Repsol Sinopec, and offshore wind companies, such as Smulders.

Glacier Energy is a great example of what is known as a "buy-and-build". This is when a private equity firm will merge companies operating in similar markets, and with similar expertise, to form a market leader for products or services.

In this case, Maven Capital Partners – a private equity firm with significant presence in all corners of the UK and offices in Edinburgh and Glasgow – provided the funding and support to bring together two complementary engineering businesses in 2011 to create Glacier Energy.

Since Maven's initial investment 11 years ago, it has continued to support and guide Glacier's buy-and-build strategy. The company has subsequently acquired six complementary businesses to strengthen

its offering and expand into new markets, including offshore wind. This has taken Glacier to new levels of expertise in areas like non-destructive testing and inspection, and weld overlay of surface and subsea equipment. In fact, its diversification into the renewables market has been so successful, revenues from this sector now account for more than 33% of the group's sales.



Glacier Energy



Making ESG matter

Lomond Group Backed by LDC

Lomond Group, headquartered in Edinburgh but with offices all over the UK including Aberdeen, Birmingham, Yorkshire, Manchester and more, is a “powerhouse in the property sector”. The business, which specialises in both lettings and sales, is centred around making the property journey as seamless as possible for its clients.

Lomond Group was formed in 2020, when LDC, the private equity arm of Lloyds Banking Group, provided the funding and guidance needed to support the merger of two market-leading estate agents. Since then, LDC has supported the group to expand significantly through acquisition. It has welcomed more than 25 residential specialists into the group including leading Scottish agent DJ Alexander. The acquisition of DJ Alexander makes Lomond Group the largest lettings and estate agent in Scotland. Lomond Group also provides central services to its network of companies, including HR, governance, operations, finance and, importantly, ESG.

The business, with help from LDC, embarked along an intensive ESG journey in early 2021. It brought onboard a professional support company to formalise a plan for the entirety of its brands as well as establish an ESG Committee to benchmark its progress.

Environment was the largest area of focus for the group with particular emphasis on energy – both

across procurement and management. Green energy providers were identified and engaged, following energy surveys for all of Lomond Group’s sites, as were waste management brokers and providers. Finally, Lomond Group’s staff were trained in energy and waste procedures to ensure high standards were maintained.

Of course, an ESG journey would not be complete without improvements in both the Social and Governance areas either. Lomond Group were quick to install new HR systems that gave greater clarity on diversity and recruitment, and D&I training was provided across the group to ensure an inclusive recruitment process.

Finally, a full assessment of the Group’s internal policies was undertaken, and a Head of Risk employed. All policies were made available on a new learning hub for all staff, as well as training modules to bring staff up to speed with compliance and the maintenance of the Group’s risk register. This combination shows just how instrumental private capital can be in not only helping a business grow but to maintain the highest quality of ESG standards as it does.



Advancing medical science

Mironid

Backed by Epidarex Capital

Mironid, based in Glasgow, is another Scottish pharmaceutical research and development success story. The company develops cell-signalling drugs, with a particular focus on rare genetic kidney disease and major inflammatory diseases. Autosomal dominant polycystic kidney disease (ADPKD) is the most common hereditary kidney disease affecting over 12 million people worldwide.

Cell-signalling is the ability of a cell to receive, process, and transmit signals with its environment and with itself, and Mironid's innovatively developed drugs can correct signalling pathways that have gone awry due to, for example, genetic mutations. Rebalancing these signalling pathways removes the underlying disease drive, thereby restoring normal cellular function. Once through clinical trials, these innovatively developed drugs could go on to improve the health and quality of life of patients – the very reason Mironid was established.

Mironid is what's known as a spin-out – a company that began life as a University research project. The project builds on a research discovery that could transform lives but requires funding and management expertise to translate its novel discovery into a commercially viable business, often provided by venture capital firms. While not exclusively, spin-outs are often in sectors like life-sciences or healthcare.

In Mironid's case, the business started in 2016 from research that was ongoing at both Heriot Watt University and the University of Strathclyde. The spin-out's funding was led by Epidarex Capital, a leading early-stage venture investor, headquartered in Edinburgh. Epidarex specialises in partnering with leading universities and research institutions, funding primarily therapeutics and medical device innovations, to build early-stage companies with extreme potential along their growth journeys.

Mironid saw an initial investment in 2016 of just over £4m in its first institutional funding round led by Epidarex and supported by the Scottish Investment Bank, on behalf of Scottish Enterprise. The capital was deployed to further its research and drug development programmes – progressing a pipeline that could generate therapies for a range of diseases with high unmet medical need – as well as increasing the company's headcount to more than a dozen drug development professionals. As of late 2022, Mironid's work is approaching clinical trials, and another step closer to the possibility of significantly improving patient outcomes across a range of major diseases.



Relocation to the nation

Modulr

Backed by Frog Capital

Modulr helps digital businesses to process payments quickly and efficiently. Its technology slots directly into their customer's platforms and allows companies to automate and embed payments, saving time and reducing the costs associated with building your own, complex payment systems.

Modulr is a rare breed. The Bank of England have provided direct access to the bank to a small number of highly credible players, and Modulr is one of these. This means it can process payments without going through a commercial bank, further removing reliance on third-party banking systems and the costs this incurs. Modulr currently assists with more than £100bn in transactions every year, for customers including Revolut, Sage and Salary Finance.

The business has been supported by venture and growth capital across its lifespan, with funding and guidance from General Atlantic, Highland Europe, Blenheim Chalcott, FIS Worldpay, PayPal Ventures and BVCA member, Frog Capital. And not only have these firms helped Modulr further its technology and grow as a business, but also invest £20m into the Scottish tech ecosystem and open a development hub of over 300 staff in Edinburgh.

Despite being headquartered in London, Modulr and its VC backers saw Edinburgh's emergence as a leading tech hub and wanted to support it in disruptive innovation. In late 2019, the business invested £20m into the Scottish fintech industry – confirming Modulr's ambition to radically transform SME banking and its belief in Scottish tech talent to help achieve this vision.

Modulr will use the funding to create an additional minimum 53 highly skilled technology jobs in the

capital as well as nurturing new technology talent in Scotland by committing to hire graduates from Scottish universities every year for five years. Modulr has also hosted payment education events in Glasgow and Edinburgh to teach SMEs how to make the most of its payment functionality.

The move came after Modulr was awarded £10m from the Banking Competition Remedies Capability and Innovation Fund (CIF), designed to drive innovation and boost competition in UK business payments. Modulr also invested £10m of its own capital, to deliver on its commitments to expand the benefit of the CIF to as many clients as possible – a testament to the strength and attractiveness of Scotland's fintech sector.

The company's Edinburgh office is now at the heart of the Modulr operation. By far the majority of its near 500 employees are based in the Scottish capital.



Creating tomorrow's technology

pureLiFi Backed by Scottish National Investment Bank

Edinburgh based pureLiFi uses light to transmit data rather than conventional radio frequency systems such as WiFi and 5G. By harnessing the light spectrum LiFi is able to provide more reliable wireless communications with unparalleled security.

The Scottish National Investment Bank invested £10 million in pureLiFi in July 2022 to allow the firm to further develop new technologies while opening up additional markets in areas such as mobile phones, tablets, wearables and other connected devices. The investment aligns with the Bank's mission to invest in innovation and industries of the future, creating high value jobs in world class businesses.

LiFi is complementary to WiFi technology, offering transformationally improved performance. Additionally, when WiFi and LiFi work together the users across both technologies experience greatly improved connectivity, as LiFi also makes WiFi better.

The number of connected devices in the average home has more than doubled in the past two years. As more devices connect to struggling home WiFi networks, bandwidth is split, interference increases and response times slow for everyone.

LiFi solves the biggest challenges faced by current wireless communications technologies by decreasing congestion, improving security and quality of connection.

Alistair Banham, Chief Executive Officer at pureLiFi said:

"The Bank's investment will help us achieve our vision to connect everyone and everything with pureLiFi. We introduced our technology to the world from Scotland and it is important for us to grow our company here. In the future we aim to create a centre for LiFi excellence in Edinburgh and also feed into the wider photonics ecosystem that already exists."

Jimmy Williamson, Executive Director - Sustainable Investment at Scottish National Investment Bank said:

"Through its patient capital investment the Bank is investing in highly skilled research and development jobs in Scotland and endorsing pureLiFi's vision to create a centre of excellence of LiFi."



pureLiFi



Contacts & useful resources

BVCA Performance Measurement Survey 2021

Growing Great British Businesses

Measuring the contribution of private equity and venture capital to the UK economy in 2021

BVCA Digest - June 2022

Nations & Regions - Yorkshire, the Humber & North East England

10 Steps to Net Zero: Private Capital in Action

Annual report on the performance of portfolio companies, XIV

If you would like to discuss this report on the industry's contribution more generally, please contact any of the following:



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About the BVCA:

The British Private Equity & Venture Capital Association (BVCA) is the voice of private capital in the UK.

We have been advocating for the UK's private equity and venture capital industry for almost 40 years, helping it to uphold its vision and achieve its goals.

We actively represent this diverse community of long-term investors, enabling them to speak with one clear and consistent voice to society, including the Government, media and MPs.

We connect institutional investors, fund managers, companies, advisers and service providers together, with our membership currently comprising more than 700 businesses from across the private capital ecosystem. This includes more than 325 PE and VC firms, 100 institutional investors and 220 professional services firms.

The BVCA supports its members to help companies grow and achieve their long-term ambitions, creating value for the country, both economically and socially. From creating medicines to protect us against COVID-19, to backing innovative companies in their quest to find solutions to our low-carbon future, private capital also plays a critical role in addressing society's future challenges.

Together we are invested in a better future.





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