



December 2021

Quarterly Review

BVCA members invested

£25.1bn

globally last year, with
9.5bn – or more than one
third – finding its way into
UK businesses



Investing with Integrity

£2.8bn of follow on funding invested in 2020, plus management expertise



Performance and Public Market Equivalent Report 2020

Industry return of 19.6% per annum over the last decade, equivalent to investors nearly doubling their money



Michael Moore, Director General, BVCA

“In this edition we focus on the support the industry gave to UK businesses during the pandemic; and the investments our members are making today to help us reach Net Zero.”

I am delighted to welcome you to the latest BVCA Quarterly Review, our regular summary of the latest data and research which demonstrates the value of private equity and venture capital to the UK economy and society.

Our flagship report, **Investing in Integrity**, shows that when the pandemic hit private equity and venture capital stepped up, investing additional capital into the businesses they already backed – **£2.8bn of follow on funding invested over the full year**. To this was added the management expertise that comes with private equity and venture capital investment.

Our members worked with businesses to adjust their plans and to provide funding where it was needed to support working capital and business investment.

Our report also shows that private capital investment is focused on small and medium sized firms – with **9 in 10 investments by our members in firms with fewer than 250 employees** – and with 66% of these investments outside London. Private capital is supporting the growth of every part of the UK and the resilience of UK businesses through the pandemic.

The BVCA has also published two reports in the last quarter of this year on the performance of the industry. Our annual **Performance Measurement Survey** reveals a strong industry return of 19.6% per annum over the last decade. These annual returns are equivalent to investors nearly doubling their money, getting a 1.9x return on capital invested over the past decade.

And for the first time, the BVCA has benchmarked funds managed by our

members against the UK stock market using a **public market equivalent analysis**. This shows that private equity and venture capital funds have outperformed the FTSE All-Share, the most comparable index for the range of small, medium and large investments held by UK private equity and venture capital funds, each vintage year since 1991.

Finally, as all eyes turned to COP26 in Glasgow in November, we have also focused, rightly so, on the efforts in our industry to help **deliver Net Zero**. There is much to do, and the BVCA has made a commitment to supporting our members to deliver Net Zero in their own businesses and the companies they invest in. We are proud that many of our members have worked with the Science

Based Targets Initiative to provide clarity and rigour in the standards they are holding themselves accountable for. And our **Excellence in ESG Series** has helped to share ideas and best practice amongst our members. In addition, our report on the 10 Steps to Net Zero shows the investments our members are making today to tackle climate change.

We cannot delay action on tackling climate change, but equally change cannot happen overnight. **The long-term view, expertise and capital provided by private equity and venture capital is ideal for making big commitments to tackling climate change.** I am very proud of the steps this sector is taking to make Net Zero a reality.

Investing with Integrity

In September we published our **flagship report on investment by private capital in UK businesses and regions. Investing with Integrity is the largest report of its kind – representing data on investments in all kinds of businesses, from start ups to global businesses, from companies who are high street names to tech businesses aiming to create new markets.**

The data we gathered tells the story of how private equity and venture capital responded to the COVID-19 pandemic and supported businesses and jobs right across the UK. When the pandemic hit, private capital reacted with agility, providing both funding and management expertise to keep their businesses stable and equipped to react swiftly to almost daily changes.

We have also seen an industry that continues to nurture talent, discover opportunity and create social and economic value – up and down our country. This year's figures show us that the Midlands and Yorkshire & the North East of England were investment hotspots, with 10% and 13% of the total companies supported respectively.

We expect to see this increase in 2021 and beyond as the nations and regions outside London attract more investment.

Private equity and venture capital are a UK success, supporting growth in UK SMEs, with 9 in 10 of all the companies invested in by our members in 2020 having under 250 employees. It may be the investments in the big names which drive the headlines, but the industry is focused on supporting local businesses to grow and develop.

Finally, we can see shifts in business growth opportunities, and in some cases, viability, brought about by COVID-19. The shift in investment focus towards Deeptech and Healthcare, and the achievements of these sectors – including the Moderna vaccine, which was backed by private equity and venture capital – has continued.

But above all, the data shows how our members acted as true partners to the businesses they support - through more than just funding, with advice, patience and expertise, too.

Employment

BVCA members support more than **5,000 businesses** – responsible for over **1 million jobs** – right across the United Kingdom, with **1,300** of these **businesses receiving funding** in 2020

SMEs

9 in 10 of the businesses supported by private equity or venture capital last year were **small or medium sized – employing 250 or fewer people**

Nationwide

Our members invested in a record number of firms **outside of London in 2020** with **66% of businesses supported outside London**

Global funding

BVCA members **invested £25.1bn** globally last year, with **£9.5bn** – or more than one third – finding its way into **UK businesses**

Investing Nationwide

1,300+

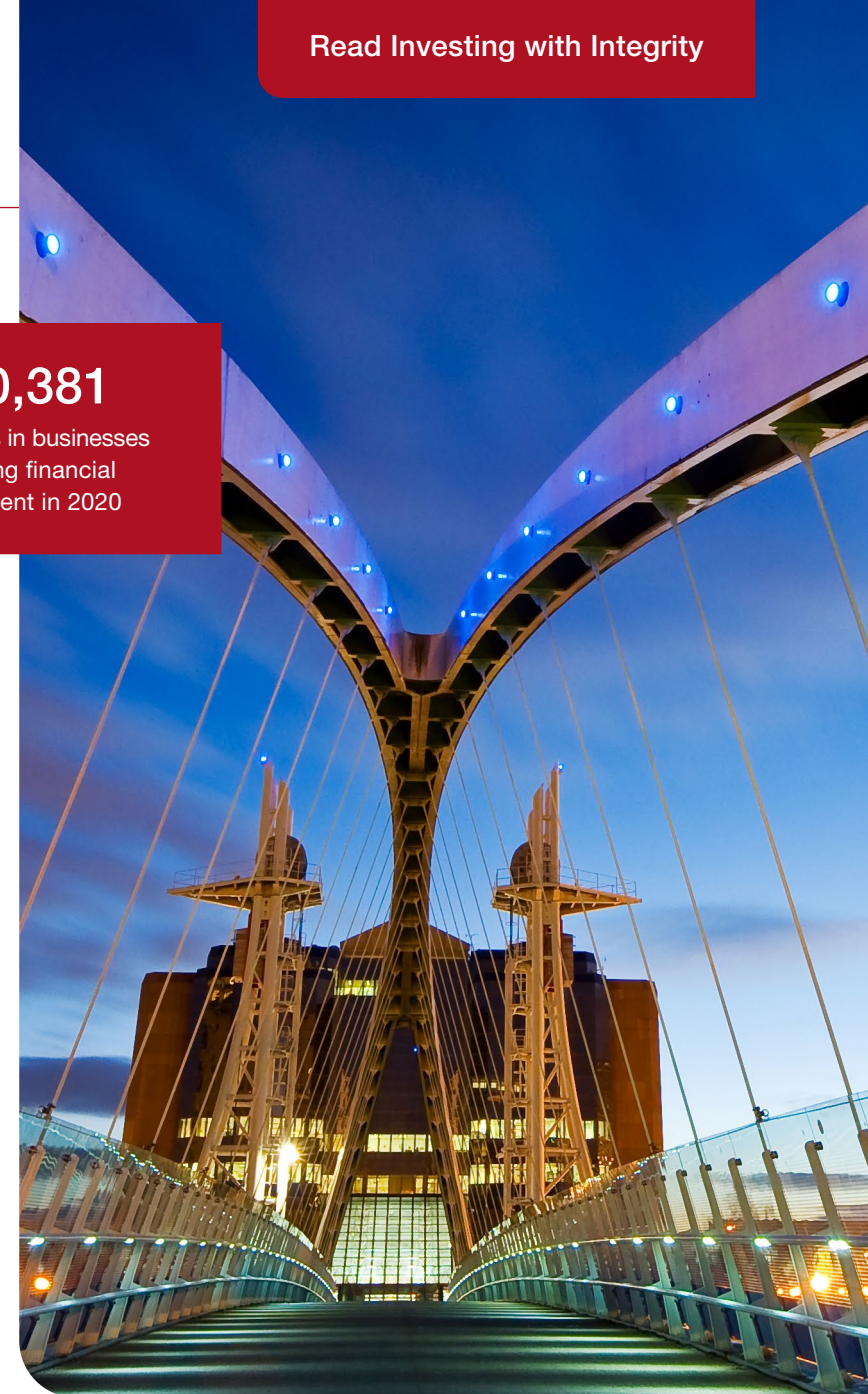
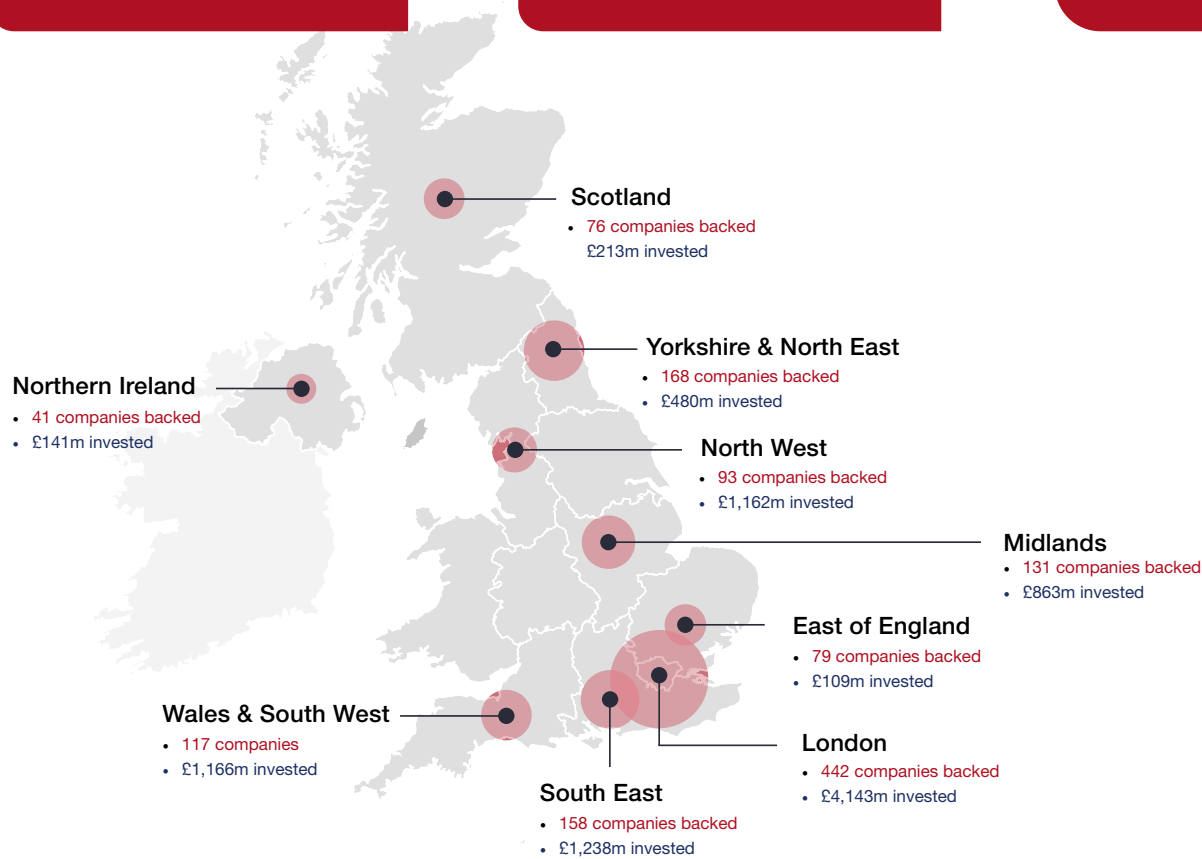
companies backed by private equity and venture capital in 2020

£9.5bn+

invested across the UK in 2020

200,381

employees in businesses receiving financial investment in 2020



Nationwide case studies

Sewtec Automation

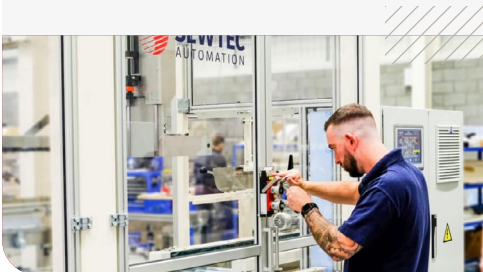
Location

Wakefield, West Yorkshire

Supported by

Endless LLP

Sewtec Automation, based out of Wakefield, creates highly specialised, bespoke machinery for production lines. Following the Endless buy-out, the business seamlessly transitioned into its new state-of-the-art headquarters in September 2020, doubling the size of its previous seven disparate sites, building the foundations for their ambitious future growth plans.



Nova Pangaea Technologies

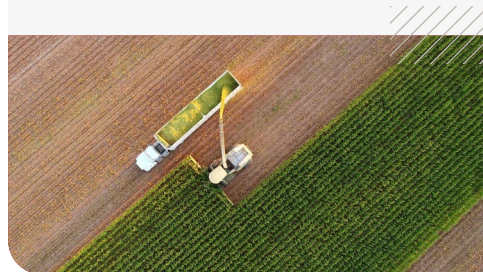
Location

Redcar, Teesside

Supported by

Par Equity

Nova Pangaea Technologies is a cleantech business that, with its world-first technology, turns sustainable plant biomass into a variety of valuable biochemicals and biofuels. Par Equity's £1.25m investment since 2017, alongside funding from the Northern Powerhouse Investment Fund and Cambridge Angels, has enabled the firm to scale rapidly in 2020. They have increased staff headcount by 45% and secured a string of plant trials with large forestry, agriculture and oil and gas multinationals.



Coppergreen

Location

Sheffield, South Yorkshire

Supported by

BGF

BGF's £20m investment into holiday park operator, Coppergreen, has seen the business expand from one site to four via acquisition and development, increasing the number of rental lodges from 54 to 321 across all parks, and take on c350 new employees. Coppergreen has significant potential for further growth, with more development planned at its existing parks and also a pipeline for further sites. BGF support through the pandemic has helped Coppergreen to realise its ambitions at an undoubtedly difficult time for the leisure and hospitality sector.



Vital Energi

Location

Blackburn

Supported by

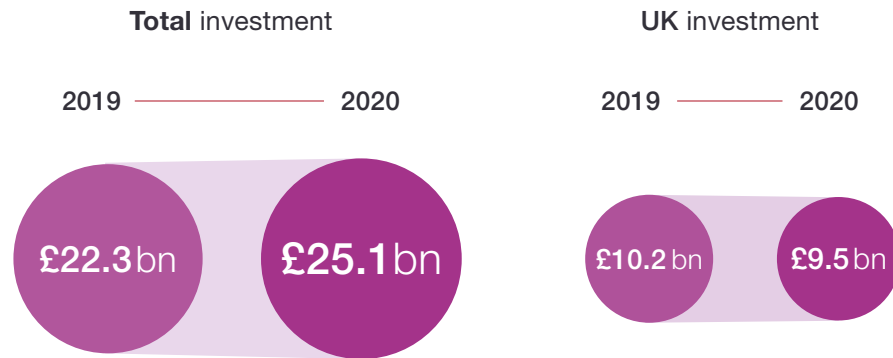
Scottish Equity Partners

Vital Energi provides clean energy up and down the country, to both the public and commercial sectors. SEP's 2012 investment enabled the company to increase its headcount by nearly 240%, creating more than 340 new jobs in green energy provision.

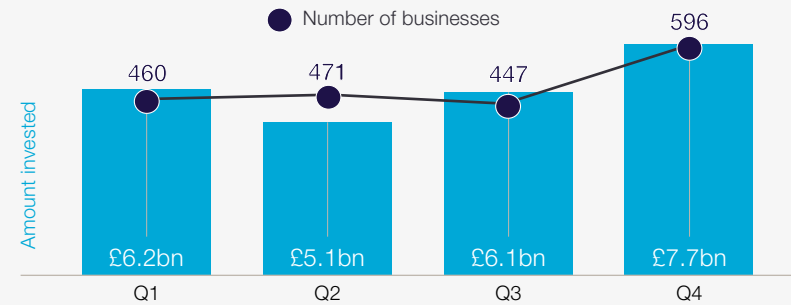


Supporting UK businesses

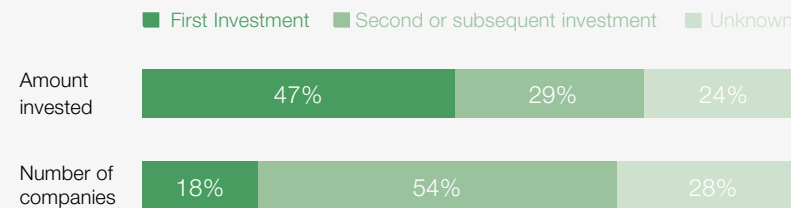
Year on year comparison of investment amounts



Amount invested and number of businesses supported in 2020, by quarter



Proportion of 2020 investment going to UK companies already supported by BVCA members

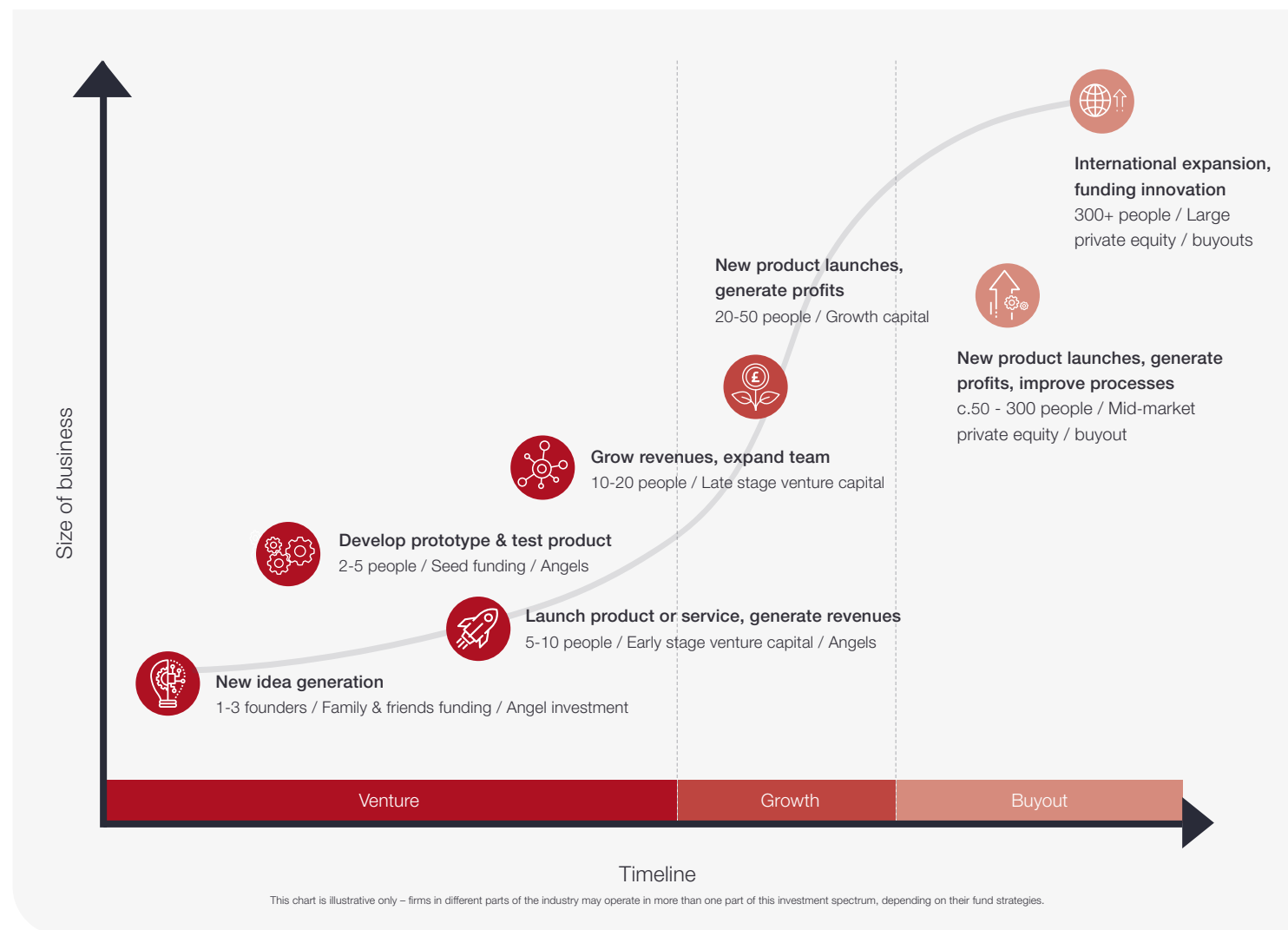


Helping small businesses grow

Businesses have different requirements as they develop. Sometimes they simply need cash to fund expansion and at other times, having the right network is key. Private equity and venture capital funds always seek to ensure they can bring value to the table – matching their insight and experience to the funding they also provide.

As a result, as a business grows from a startup to a world-leading listed company (or maybe a unicorn) its ownership will change to reflect its developing needs – from venture to growth to buyout. This is a natural cycle of business growth, and private capital plays a vital role in this growth until a company is of a size and scope to become quoted on public markets.

BVCA members sold all, or part, of 563 businesses in 2020. Of these, 25% were at the venture stage, 43% at the growth stage and 29% at the buyout stage on the date of first investment; a demonstration of business development in action.



Delivering strong returns for investors

Each year the BVCA combines proprietary performance data from our members for a major study of the performance of the private equity and venture capital industry.

This year we applied new analysis which has revealed a strong industry return of 19.6% per annum over the last decade. This compares to an industry return since 1980 (the first year for which the British Private Equity and Venture Capital Association (BVCA) has data available) of 14.6% per annum.

These annual returns are equivalent to investors nearly doubling their money, getting a 1.9x return on capital invested over the past decade and 1.8x capital invested since 1980, including the value of unrealised investments as at 31 December 2020.

These new figures and ways of presenting the data, alongside other analyses of the private equity and venture capital industry and the returns made on behalf of investors, can be found in the BVCA's [Performance Measurement Survey](#), produced in association with PwC.

In addition, for the first time we have conducted an analysis of funds managed by our members compared to FTSE All-Share every year for the last three decades.

A Public Market Equivalent (PME) analysis compares these private capital returns to equivalent investments in a public index. BVCA analysis using two different PME measures shows that the returns generated for investors by funds managed by BVCA members have been better than those of equivalent investments in the FTSE All-Share index every year since

1991, with the exception of 2006 where the private market returns were higher on one measure and equal on the other.

This new analysis can be found in the BVCA's [Performance Measurement Survey 2020](#) and [Performance and Public Market Equivalent Report 2020](#).



[Read Performance Measurement Survey 2020](#)

Our commitment to Net Zero

The BVCA supports the objectives of the Paris Agreement and welcomes the commitment from the UK and a growing number of major economies to achieve Net Zero by 2050.

As the representative body for an industry that supports many thousands of businesses across the UK and worldwide, we want to see our members deliver on their own Net Zero goals and support climate transition around the world.

We are working with our members to make that commitment a reality through the investments they make, the development of consistent standards, the adoption of technology and innovation, and the commitment to industry and global initiatives such as the [UN Race to Zero](#).

As either majority or significant minority owners, principally of unlisted, small or medium-sized businesses, PE/VC funds managed by BVCA member firms are well-placed to drive the low carbon transition in areas of the UK and global economies that public markets cannot reach.



Investing in solutions:

Our members' funds are finding and helping to grow innovative UK and global businesses that offer solutions to the world's climate problems.

Collaborating to drive down emissions:

Our members are invested in over 5,000 UK companies and are actively supporting these businesses to reduce their greenhouse gas emissions. Over 100 (and counting) UK and European-based PE/VC firms, representing more than \$700m AUM, have joined the UN PRI-backed Initiative Climat International (iCI). This fosters industry-wide collaboration to deliver the aims of the Paris Agreement through public commitments, knowledge sharing and the development of tools, including science-based emissions reduction targets.

Making Net Zero a reality:

Over 20 BVCA member firms, GPs, LPs and service providers alike, have already joined the [Net Zero Asset Managers Initiative](#), including Bregal Investments, Bridges Fund Management, Brookfield Asset Management, Earth Capital, Hg, ICG, Macquarie Infrastructure and Real Assets, Pemberton and Tikehau Capital.

Science based targets:

The iCI and the Science Based Targets Initiative (SBTi) have collaborated on new, sector-specific guidance that allows PE/VC firms to set comparable and achievable science-based climate targets. Several BVCA firms have already had targets approved or plan to in the next two years. As PE/VC specific frameworks like the SBTi sector guidance and iCI's work on carbon footprint measurement are finalised and put into practice, an increasing number of BVCA member firms are likely to see meaningful pathways towards Net Zero.



10 steps to Net Zero

For private equity and venture capital, the desire to invest sustainably, tackle climate change and support national governments to reach Net Zero is no new thing. To reach Net Zero, we need the innovations and ideas which venture capital and private equity will nurture and scale to national and global applications.

Furthermore, the long-term view taken by private capital helps to support existing business to tackle their impact on climate change – be that funding investment in new infrastructure or technology, fundamentally restructuring a business, or creating the trajectory for certain assets to be decommissioned. **It takes the time, patience and expertise, found at the heart of private capital investment, to address these difficult questions.**

So, as COP26 came to a close, we reflected on the tangible steps and investments private equity and venture capital are making today to help us reach Net Zero.

From investing in the low carbon energy solutions we know work such as the first zero subsidy onshore wind farm, to investing in new low carbon energy solutions to make them work, such as hydrogen fuel cells.

From creating zero waste consumer products, to driving sustainability in existing businesses on Earth...and in space. Private equity and venture capital are taking the time, putting in the capital and expertise, to make Net Zero a reality.



[View case studies](#)

[Read 10 steps to Net Zero: Private Capital in Action](#)

Environmental, Social and Governance Excellence

Outstanding contributions to Environmental, Social and Governance (ESG) from across private equity and venture capital were recognised at the industry's leading event - the BVCA Summit – in October.

Now in its second year, our Excellence in ESG initiative celebrates firms from across the private capital ecosystem that have made an outstanding commitment to ESG principles.

As decided by a judging panel of multi-sector ESG experts, the top entries across this year's three categories were:

Private equity and venture capital firms:

Beringea

For driving industry collaboration through its ESG_VC benchmarking initiative and its commitment to bringing more firms onboard.

EMK Capital

For an impressive response to the pandemic from across its portfolio, as well as strong evidence for each portfolio company regarding their ESG targets and achievements.

Institutional Investors:

Church Commissioners for England

For having outstanding ESG measurement systems in place across their portfolio, alongside ethical investment standards, set at Board level, that all its fund managers are assessed against.

Portfolio Company:

Weener Plastics Backed by 3i

For demonstrating excellent innovation and a clear focus on moving towards more recyclable and reusable products.



Insights from our judges



Sustainability & Climate Finance



Diversity & inclusion



Understanding the supply chain



The private equity and venture capital industry's contribution to public value in the UK can be explored further in these reports:



[View publication >](#)



[View publication >](#)



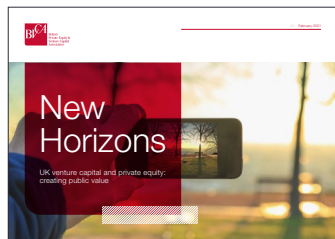
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