



BVCA Digest

The latest research on, and insight into, private capital



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Introduction

Welcome to the latest BVCA update on the private capital industry. This edition leads with the highlights from recent research on investment and performance across the UK, with a spotlight on Scotland, and the returns generated by private capital funds for investors.

Investing nationwide – spotlight on Scotland

Our most recent Nations & Regions publication, using data gathered from our members, found that **£895m was invested into Scotland in 2021**, or 5% of the total amount that year. This funding supported 88 businesses and 133,000 jobs. The report also highlights some of the exciting and innovative Scottish companies backed by BVCA members, in sectors like tech, pharmaceuticals and life sciences.

Industry performance

We're also pleased to be able to highlight two pieces of BVCA research which dive into the returns generated by UK private equity and venture capital – for investors including university endowment funds and pension schemes.

The findings are striking; investors in private equity and venture capital have benefitted from a **strong**

industry return of 22.6% per annum, and the returns generated for investors have been better than those of equivalent investments in the FTSE All-Share Total Return and MSCI Europe Total Return indices every year since 2001.

Invested in a better future

The climate emergency and the need to live more sustainably is one of the driving issues of our times. Sustainability and ESG continues to be a priority area for private investments and the **BVCA are pleased to have contributed to Mission Zero**: The Independent Net Zero Review as well as collaborating on industry guidance on climate disclosures.

Making connections

It has been encouraging to see so many parliamentarians take part in our “MP Connect” programme across the last few months. The programme links MPs with private equity and venture capital backed businesses in their constituencies and illustrates, firsthand, the benefits that this support brings. These meetings allow founders, entrepreneurs and CEOs of high growth businesses to speak directly to MPs about the impact of PE and VC investment in their constituencies, shining a light on the expertise and long-term view synonymous with the private capital approach.

We have also been delighted to welcome politicians from across the political spectrum to speak at our events – most notably at our flagship industry Summit and at our Emerging Tech Conference.

If you are interested in hearing more about the companies in your constituency backed by our members, or to speak at one of our events, please do [get in touch](#) and we would be pleased to set this up.

With 2 million jobs supported by private capital, and clear evidence of its strong returns, it is clear that the industry is a mainstream part of the UK economy. The BVCA is here to help you understand more about the industry and our role in the UK economy. I hope this update helps you with this, and we are always keen to listen and answer any questions you might have about the industry and its role in driving innovation and economic growth across the UK.



Michael Moore
Director General, BVCA



Private capital at a glance

Key stats from recent reports

Jobs

2 million

people were employed by companies backed by private capital right across the UK in 2021, representing 6% of all UK jobs

UK investment

£17.3bn

was invested in UK companies in 2021 by BVCA members - an increase of 82% from 2020

UK Economic contribution

£208bn

contributed to GDP by businesses backed by private capital in 2021, 5% of total UK GDP in 2021

Regional employment

56%

of jobs in private capital backed businesses in the UK are outside London and South East England

Investment across the regions

65%

of companies receiving investment are outside of London

Focus on SMEs

9 in 10

UK businesses receiving private capital investment in 2021 were small and medium sized businesses

Total return since 2012

2.01x

Across the industry as a whole since 2012, investors own assets which, if realised at their 31 December 2021 values, would mean investors receive more than double their original investment

Industry return since 2012

22.6% p.a.

Overall industry since inception internal rate of return since 2012

Public market comparison



Private Equity and Venture Capital funds investing from 2001 onwards collectively outperformed the FTSE All Share and MSCI Europe total return indices

Figures from BVCA's Growing Great British Businesses report, BVCA Performance Measurement Survey 2021, BVCA Performance and Public Market Equivalent Report 2021, and Measuring the contribution of Private Equity and Venture Capital to the UK economy in 2021



Nations & Regions – Spotlight on Scotland

The BVCA's Nations & Regions Series takes a look at private capital's support for businesses across the length and breadth of the UK, with the latest edition focusing on Scotland.

In the report, we highlight that private capital firms invested nearly £900m into 88 Scottish businesses in 2021 - a strong increase on previous years, with £213m and £271m in 2020 and 2019 respectively. This investment is powering SMEs across Scotland, with 9 in 10 of the businesses backed employing 250 or fewer people.

Our research has also found that tech was the most attractive area for investment, with 65% of all Scottish businesses supported in 2021 operating in this sector.

The report was launched at Edinburgh's innovation and tech hub, Codebase, where BVCA Director General Michael Moore hosted senior business leaders, academics, BVCA members and tech companies to discuss Scotland's private capital landscape. There was optimism at the huge potential for further investment in Scottish businesses and the 133,000 jobs currently supported by the industry.

Alongside new analysis and insight, we featured a number of BVCA member-backed companies from across Scotland as case studies, showcasing how private equity and venture capital is enabling companies of all sizes to innovate, flourish and grow.



Mironid, based in Glasgow, is a 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.

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.



Scotland in numbers

Total invested

£895m

amount invested in
Scottish businesses

Footprint

88

companies backed

Investment

5%

of investment in the UK

Employment

133,000

jobs supported

VC

47

companies received
Venture Capital support

Growth

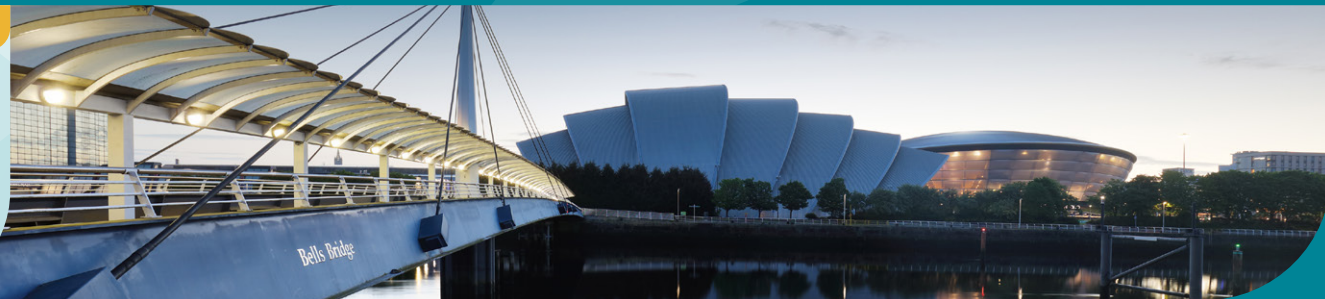
24

companies received
Growth Capital support

Tech Hub

57

companies in
tech supported



Figures from BVCA Nations & Regions - Scotland Report



Delivering strong returns for investors

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

The analysis shows that investors in private equity and venture capital – including pension funds and academic endowment foundations – have benefitted from a collective industry return of 22.6% per annum, from funds which started investing in the last decade. This means annual returns are equivalent to more than doubling an initial investment, generating a 2.01x return on capital invested across the past decade and

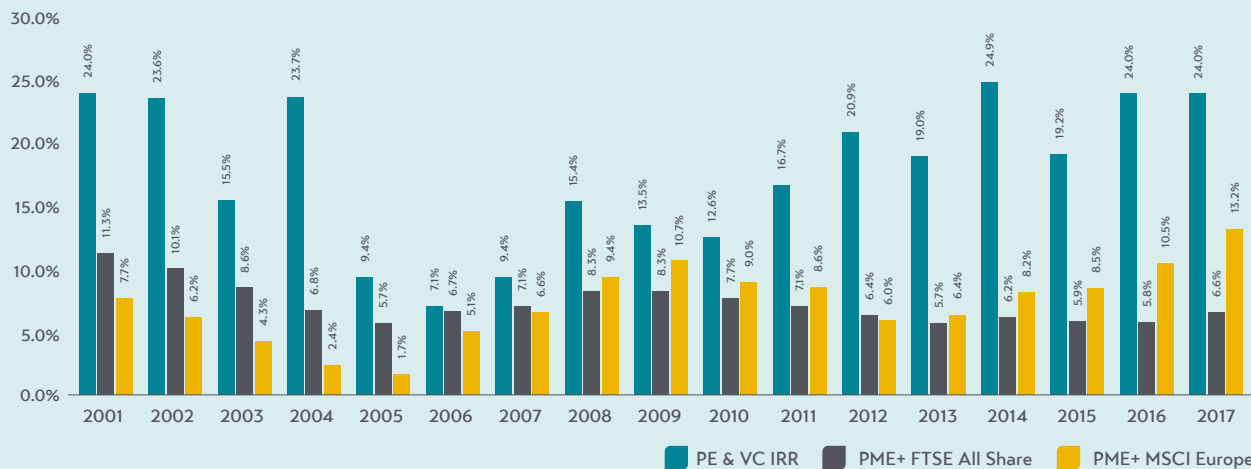
1.85x capital invested since 1980, including the value of unrealised investments as at 31 December 2021. These figures and other analyses of the private equity and venture capital industry and the returns made on behalf of investors, can be found in the BVCA's [Performance Measurement Survey](#), produced in association with PwC.

In addition, we have conducted an analysis of the performance of funds managed by our members compared to equivalent investments in the FTSE All-Share index and, for the first time, the MSCI Europe index as well.

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 and MSCI Europe indices every year since 2001, the first year for which both indices are available.

This new analysis can be found in the BVCA's [Performance and Public Market Equivalent Report 2021](#).

Since Inception Capital Dynamics IRR and PME+ by vintage year



Source: BVCA Performance and Public Market Equivalent Report 2021



Political engagement across the UK

With 65% of PE and VC investments outside of London, the industry has a vital role to play in regional economic growth.

BVCA Director General, Michael Moore, welcomed the opportunity at the Conservative and Labour Party conferences, and Liberal Democrat business network lunch, to discuss the role and value of the industry in driving innovation and growth right across the UK.

From investing in green tech businesses enabling commercial vehicles to convert the fuel they run on to include hydrogen in Liverpool, to helping to redevelop leisure and community spaces in Birmingham, PE and VC is behind businesses tackling some of the most pressing economic and societal issues.

Highlights discussed during the events included:



9 in 10

investments into SMEs
across all UK nations and regions

2m jobs

across the UK

the North West is the second largest hub for jobs in businesses backed by PE/VC

£355m

invested
into the West Midlands



Connecting politicians to private capital

Government Ministers and Shadow Ministers spoke at numerous BVCA events about the support and role private capital can play in achieving their economic and societal objectives.

- Technology & Digital Minister, **Paul Scully MP**, spoke at the BVCA Emerging Tech conference about the Government's priorities for technology and the importance of ensuring a greater flow of UK based capital.
- **Richard Fuller MP**, Economic Secretary to the Treasury during Liz Truss' premiership, spoke at the BVCA Summit on the role of the industry in supporting the Government's growth ambitions and the importance of attracting further investment into the UK.
- **Tulip Siddiq MP**, Shadow City Minister, spoke at the BVCA Summit about the industry's role in helping to tackle regional inequalities and investing in the green sector.
- **Chi Onwurah MP**, Shadow Science, Research & Innovation Minister, spoke at the BVCA Emerging Tech conference about Labour's plans to take an active role with the private sector and unlock further capital for the life sciences sector.

If you would be interested in speaking at one of our events, please contact us at externalaffairs@bvca.co.uk.



Private capital in action

The BVCA has continued to connect MPs with businesses backed by PE and VC in their constituency, with 12 introductions having taken place in the last 6 months across the UK. These meetings allow founders, entrepreneurs and CEOs of high growth businesses to speak directly to MPs about the impact of PE and VC investment, expertise and long-term view on their businesses. If you would like to find out about businesses in your constituency invested in by private capital, please contact [Mia Forti](#).



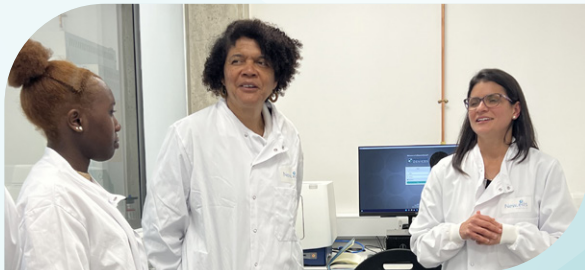
Former leader of the Liberal Democrats **Tim Farron MP** meets Bainbridge Electrical backed by **Mercia Asset Management**, in his constituency Westmorland and Lonsdale



Deputy Leader of the Labour Party **Angela Rayner MP**, meets **Goyt Kitchen Fabrications** backed by the Development Bank of Wales, in her constituency Ashton-under-Lyne



Gareth Davies MP, meets with **Buster + Punch** backed by Gresham House, in his constituency Grantham and Stamford



Shadow Science, Research and Innovation Minister **Chi Onwurah MP**, meets with **Newcells Biotech** backed by Mercia Asset Management, in her constituency Newcastle upon Tyne



Julie Marson MP meets with **Gü Desserts** backed by Exponent Private Equity, in her constituency Hertford and Stortford



Anthony Browne MP, meets with **John Henry Group** backed by Growth Capital Partners, in his constituency South Cambridgeshire



Building strong and sustainable businesses



Mission Zero: The Independent Net Zero Review

BVCA was highly engaged with the Independent Net Zero review led by **Chris Skidmore MP**. We contributed evidence to the report and Harriet Assem, the BVCA's Head of Sustainability attended the launch of the review hosted by **Graham Stuart MP**, Minister for Energy and Climate.

The climate emergency and the need to live more sustainably is one of the driving issues of our times. Sustainability and ESG continues to be a priority area for private investments and is increasingly seen as a value creation tool. In the past 6 months alone, the BVCA have been pleased to support the following initiatives:

Excellence in ESG

Now in its third year, 'Excellence in ESG' celebrates firms from across the private capital ecosystem that are at the forefront in terms of embedding ESG into their operating systems.

This includes firms such as **Reconomy Group**, a portfolio company of **EMK Capital**, who have been helping their customers deliver zero waste, achieve environmental compliance, and reduce emissions. Reconomy Group's recycle, comply, and reuse ethos is also embedded internally, with a clear plan for Net Zero across all of its own operations.

To read more about the initiative and to find out more about other firms receiving recognitions [click here](#).

Improving climate disclosures

Over 200 (and counting) PE/VC firms 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.

The BVCA supports iCI and has been heavily involved with them and KPMG on the development of the **Task Force for Climate Change Financial Disclosures (TCFD) Implementation Guide for Private Equity**. This guidance helps investors respond to the increasing demand for climate change related disclosures and ensures they are well placed to play a leading role in the global efforts to eliminate the causes and combat the effects of climate change. [Read the guide here](#).



Policy spotlight

Promoting innovation & increasing investor access

Driving investment in innovation

90% of businesses backed by our members are small and medium sized companies. The early-stage businesses in particular which need certainty on the environment in which they are operating.

Last year we were concerned about possible changes to Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) tax relief on shares but were pleased to see that the Chancellor's Autumn Statement included the expansion of Seed Enterprise Investment Scheme (SEIS) and a commitment to extend the EIS and VCT sunset clause beyond April 2025.

We continue to work with policymakers on positive plans for a Long-term Investment for Technology and Science (LIFTS) competition, which promises up to £500m of government support for new funds targeting UK science and technology businesses.

The BVCA is currently concerned about changes to the R&D tax credit regime for SMEs, which will reduce the cash available to R&D intensive start-ups. The government launched a consultation on this issue in January 2023 and we will continue to push for further support.

Widening access to private capital investment

Long-term, patient capital, such as that invested into private capital funds, can support innovation and business growth while also generating good returns for investors. Younger pension savers, who have long time horizons before they need to withdraw cash from their pension pots, could potentially add 7-12%¹ to their retirement pots by investing in private capital funds.

At present, defined contribution (DC) pension schemes do not benefit from these investment opportunities, in large part because of regulatory rules. The BVCA has made several submissions to the Department of Work and Pensions on refining those rules to help enable DC investment in private capital funds while ensuring appropriate protections for investors.

We also welcomed proposals from the Financial Conduct Authority designed to help retail and other investors access funds structured under the new Long-Term Asset Fund rules, which may help these funds to reach sufficient scale to significantly broaden the range of investors that can benefit from private capital returns.

¹ [Oliver Wyman BBB The future of defined contribution pensions \(british-business-bank.co.uk\)](https://www.british-business-bank.co.uk/oliver-wyman-bbb-the-future-of-defined-contribution-pensions) (page 8)



Useful resources

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

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

Nations & Regions - Scotland

Growing Great British Businesses

BVCA Report on Investment Activity 2021

BVCA Performance Measurement Survey 2021

BVCA Performance and Public Market Equivalent Report 2021

iCI TCFD Implementation Guide for Private Equity

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