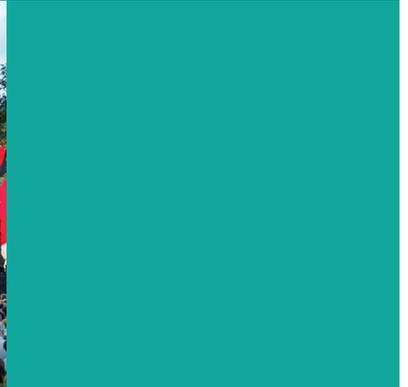


www.ldc.co.uk/capitalview



CAPITAL VIEW



LDC



WELCOME

Welcome to the latest edition of Capital View – a round-up of LDC’s most recent investment activity and portfolio successes, along with a look ahead to the opportunities and challenges that will shape the next 12 months for business owners and management teams in London.

London’s position as a global economic powerhouse and centre for entrepreneurial activity will always make it one of the most exciting places in the world to invest. However, the on-going uncertainty caused by Brexit and the threat of a global economic slowdown continue to punctuate the market. This has been the situation for some time now, and business leaders in London have shown their resilience and determination to succeed, despite the unknowns.

At LDC, we have the same mindset.

Yann Souillard

Head of LDC
in London

It’s been a really busy period for our London team. We’ve completed five transactions in the last six months, including investing in leading digital marketing agency, Croud and the UK’s largest independent business telecommunications provider, Onecom. We also exited our partnerships with Martin Audio and FC Business Intelligence, after helping each business achieve significant growth during our partnership.

There have also been successes to celebrate within the team. Christian Bruning and David Andrews became Directors, while Aylesh Patel and Dan Gluckman were promoted to Investment Director and Investment Manager respectively. In addition to the promotions, we’ve added a number of new recruits. Tech specialist Joseph Fison and leisure and retail expert Joe Tager both joined us as Investment Directors, while Ed Lane joined us as an Investment Manager to support our origination efforts across London. Our experienced team enables us to offer management teams the best possible support to help them deliver their growth strategies.

For ambitious business leaders, we know that a ‘wait-and-see’ strategy is simply not an option and that a lack of certainty does not mean a lack of opportunity. Experience tells us that the support of a stable, long-term partner is even more valuable in times like these and the fact that Lloyds Banking Group is LDC’s evergreen and sole funder brings certainty and transparency to all our investments.

Our support goes much further than the capital provided on day one. We’re with businesses for the journey. Up to £100m of follow-on funding is available to each business we invest in. A good example of this is our partnership with London-based healthcare communications company, Lucid. It acquired two complementary businesses in 2019 to diversify its service offering and extend its geographic footprint to reach more customers.

While there is some evidence that activity in the wider private equity market has slowed, at LDC we have reaffirmed our commitment to partner with strong management teams through our pledge to invest £1.2bn over the next three years. We are ready to support management teams with the financial and strategic support that can help businesses reach their full potential. We call it backing ambition.

Yann Souillard
Head of LDC in London

39 years in London

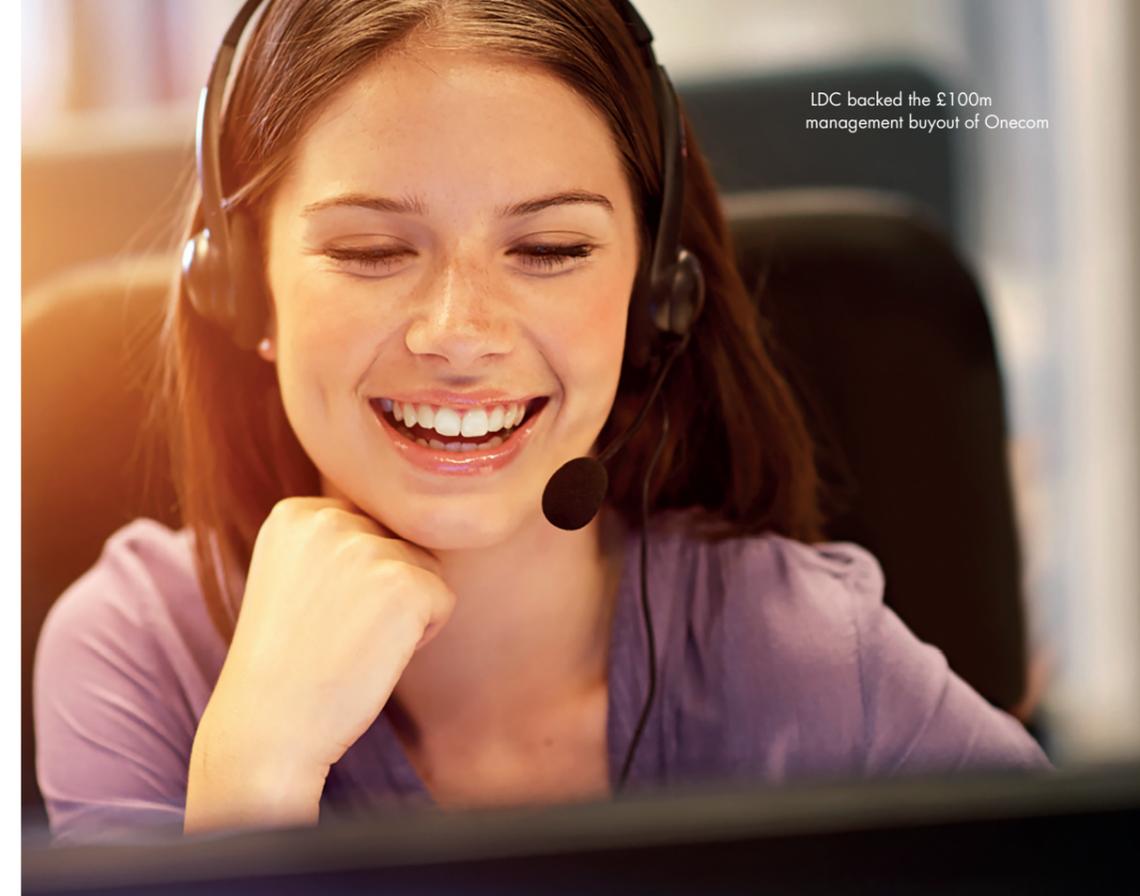
245 management teams supported

£1.5bn capital deployed

Over £850m total revenues of LDC London’s current portfolio



LDC is backing Croud's Co-Founders Luke Smith and Ben Knight



LDC backed the £100m management buyout of Onecom

OUR LATEST PARTNERSHIPS

The capital is home to a wealth of ambitious management teams running fast-growing businesses. In the last six months, our London team has completed three investments and we're already helping each management team achieve outstanding results.

CROUD

Croud is a leading digital marketing agency with offices in London, New York and Sydney. It uses its proprietary technology to support planning, automation and execution of digital marketing campaigns for a diverse client portfolio including Vans, AXA IM, Virgin Trains and The North Face.

We backed Croud's existing management team in November 2019 with a £30m investment to help it accelerate its global growth and support further development of Croud's proprietary technology products and its range of services.

"This is just the beginning - we underwent a rigorous process to find the right partner for us and looked at several options, but LDC share our vision and offer the ideal platform for us to continue on our mission - which very much remains to become the world's finest digital technology and communications group."

Luke Smith, CEO and Co-Founder, Croud

3

investments completed in the last 6 months

ONECOM

LDC backed the £100m management buyout of Onecom, led by CEO Ben Dowd, in July 2019. The business manages nearly 100,000 business customers, delivering communication services and unified solutions across fixed line voice, connectivity and cloud computing to some of the UK's most dynamic companies.

LDC's partnership with Onecom is helping to deliver CEO Ben Dowd and his management team's significant growth plans. The business expects to increase its workforce substantially, invest in systems and processes that ready the business for scale and make acquisitions.

"I am delighted that LDC have backed the Onecom management team to pursue our growth strategy over the next few years. We have worked very closely with LDC over the last few months and they share the same level of ambition as we do."

Ben Dowd, CEO, Onecom

TEXTHELP

LDC backed Texthelp, a leading provider of world class literacy and numeracy support software in May 2019. Texthelp is a fast growing international business with an established and loyal customer base across the Americas, Europe, Middle East and Australasia.

Our partnership with the business is supporting its existing management team, led by CEO Mark McCusker, CTO Martin McKay and CFO Seamus Scullion, to help accelerate the business' growth plans and further develop its software proposition.

"This partnership gives us the added resources and expertise to bring our services to more organisations across the globe. LDC has a longstanding reputation of supporting technology firms and we look forward to working alongside their team during the next phase of our journey."

Mark McCusker, CEO, Texthelp

ADDING VALUE

Private equity investment is an effective catalyst for growth and LDC has a proven track record of helping to build long-and-lasting value in its portfolio businesses.

Our strategic support means every investment we make is a real partnership. We bring in the expertise to identify, acquire and integrate complementary businesses, enter new markets, develop new products and more.

Here are four recent examples of London firms we have supported to build long-lasting value.

MARTIN AUDIO

We backed the management buyout of Martin Audio in 2018, carving out the business from its parent company Loud Audio to help grow its revenues. Martin Audio designs and manufactures high-performance loudspeaker systems for bands including Pink Floyd and The Who. In December 2019, LDC and the management team chose to sell the firm in a £39.2m sale to a larger industry player, Focusrite, providing a money multiple of 2.6x for LDC.

Our £12m investment helped the business to develop its product range, improve its international sales and marketing capabilities and enhance its digital infrastructure through software development. Within one year of partnering with LDC, Martin Audio recorded double-digit sales growth following a series of product launches and overseas expansion.

"LDC has been a really supportive partner. They have encouraged us to focus on our priorities and have trusted us to get on with things. Our partnership has given us the perfect platform to invest in key growth areas of the business, broaden our customer base and fundamentally improve the way we operate."

Dom Harter, Managing Director, Martin Audio

FC BUSINESS INTELLIGENCE

In 2018, we backed the management buyout of global events company, FC Business Intelligence (FCBI), which delivers conferences and exhibitions to a diverse range of sectors. In October 2019, the management team and LDC made the decision to complete a trade sale to Thomson Reuters.

The business, led by CEO Piers Latimer, has focused on improving its customer experience and engagement since our original investment. FCBI also continued to increase the scale of its largest flagship events such as eyeforpharma Barcelona, Petrochemical Update Downstream, EFT 3PL & Supply Chain Summit and Insurance Nexus Connected Claims.

The business has now been rebranded as Reuters Events. It will operate as part of the Reuters News division of Thomson Reuters.

"Our partnership with LDC has been pivotal towards getting us to where we are today. They supported our ambition from the outset and provided us with investment and expertise to help us meet our objectives sooner than expected, backing our decision to join Thomson Reuters."

Piers Latimer, CEO, FC Business Intelligence

78%

PEI Media Group's revenues grew by 78 per cent during LDC's tenure

CAPITAL ECONOMICS

During our initial three-year partnership, macro economic research company Capital Economics grew revenues by 30 per cent to more than £22.5m, while launching several new services and opening offices in New York and Sydney.

A sale to Phoenix Equity Partners in 2018 valued the business at £95m, providing LDC with a return of 2.5x and an IRR of 43 per cent.

Crucially, it left Capital Economics well-placed to continue accelerating its growth by investing in new services and pursuing acquisitions. We subsequently continued our support of the management team, making a minority reinvestment.

"This is a very exciting development for our business, with LDC's investment having provided a strong platform to enhance our services and extend our geographic reach."

Bob Dowson, CEO, Capital Economics

PEI MEDIA GROUP

We partially exited our investment in PEI Media Group in 2018 following a three-year partnership which saw revenues grow by 78 per cent to more than £32m and generated a 3.5x return for LDC.

During the lifetime of our initial investment, the market-leading intelligence and analysis business added to its digital and content capabilities and doubled the revenues of its events arm.

We subsequently reinvested for a minority stake alongside new owners Bridgepoint Development Capital to continue our support of the business.

"Having LDC on board has given us the support needed to drive the business forward. We're now well placed to continue our growth journey."

Tim McLoughlin, Chief Executive, PEI Media Group

Martin Audio is the designer and manufacturer of premium loudspeaker systems across the spectrum of touring, theatre and installation applications.



THE CARVE OUT OPPORTUNITY

In times of uncertainty, large businesses often explore ways to increase cash reserves and pay down debt. Recent research from Mergermarket's 2020 Global Private Equity Outlook revealed that corporate debt is at an all-time high and that rationalising non-core business units will be a key driver towards reducing interest payments.

£250m

Total enterprise value of carve-outs we have supported since April 2018

7

carve-outs completed since 2018

Deloitte's CFO survey offers the same outlook. CFOs of leading companies are prioritising cost reduction more now than in late 2009 when the economy was emerging from recession. It's clear that disposal activity will increase in 2020 and beyond.

We have over 35 years of experience working with M&A teams of large corporates to help carve out business units and accelerate their growth plans, empowering new independent entities to drive business forward on their own terms.

Since April 2018, we have supported seven corporate carve-outs with a total enterprise value of over £250m, which include partnerships with Shield Group International, Precision Micro, Martin Audio and NBS. We are always interested in working with large corporates to deliver the right outcome for business growth, whether that's through a carveout or selling one of our portfolio firms.

RAISING THE VOLUME

In 2018, we invested £12m to support the management buyout of Martin Audio, the designer and manufacturer of premium loudspeaker systems, which was part of global audio specialist Loud Audio.

Our investment helped the existing management team carveout the business, letting it focus on its own revenues without the distraction of its larger owner.

Since the start of our partnership Martin Audio grew quickly as a standalone business, adding new clients such as

US-based Soundworks, Southard Audio and Twilight Audio as well as new partners including Jamaican brand Main Event Entertainment and Dominican Republic-headquartered Group AR. It also diversified its offering through the launch of 15 new products since LDC's investment, opening up new sales channels for the business and enabling it to expand into the commercial installation space.

The management team chose to accept an offer to become part of a larger, growing audio specialist business, Focusrite, generating a 2.6x multiple for LDC in a £39.2m sale.

UNLOCKING POTENTIAL

ID card business Magicard was previously a division of the defence and security group Ultra Electronics Holdings, which operates in sectors from aerospace to maritime.

The management buyout of the business in 2016 involved senior members of the team acquiring minority shareholdings, with LDC investing for a £22m majority stake.

We worked closely with Magicard and the M&A team at Ultra to leverage the scale and expertise of the LDC team and prepare the business for investment.

The subsequent deal gave Magicard's management team the opportunity to drive the business forward as owners, unlocking its full potential by developing new products and targeting new geographies with capital and strategic support.

BACKING AMBITION BEYOND BUSINESS

Our commitment to backing ambition goes beyond management teams and our pledge to invest £1.2bn nationally over the next three years. We aim to celebrate and encourage ambition in everything we do, from our employees and the charities we support, to the successes of business leaders that are making a difference all across the UK economy through our Top 50 programme.

LONDON AIR AMBULANCE

In London, we have been supporting the London Air Ambulance since 2014. The organisation plays a critical role in providing rapid response advanced trauma teams to London's most seriously injured patients. It brings the hospital to the patient when time is at its most critical. To date, it has treated over 40,000 patients and supports at least five seriously injured people across London every day.

Last year, our annual charity quiz raised over £15,000 to help the London Air Ambulance continue to deliver its invaluable service across the capital. The quiz night is also a fantastic evening in which employees of our portfolio companies and our closest advisors battle it out to be the quiz champion of the year.

THE PRINCE'S TRUST

We're also doing our bit to support the ambitions of young people interested in launching their own enterprise through our national partnership with The Prince's Trust, supporting the organisation's Enterprise Programme. The initiative gives young people between the ages of 18 and 30 the skills, knowledge and funding to launch their own business.

This year, our employees have attended sessions with young people to share their own expertise, helping young budding entrepreneurs to learn more about cash flows, marketing, and sales techniques. We're really looking forward to continuing our partnership with The Prince's Trust to support young people and help them take innovative ideas from concept to reality.

If you are interested in supporting this worthy cause, ask our team about how you or your business can get involved.



THE TOP 50 MOST AMBITIOUS BUSINESS LEADERS

2019 saw the second edition of our Top 50 Most Ambitious Business Leaders programme, supported by The Telegraph, which aims to find and celebrate the most exceptional entrepreneurs from across the country.

These individuals have built fast-growing, medium-sized businesses demonstrating important qualities: be that export prowess, strong corporate responsibility credentials, social purpose, sheer grit and ambition, or significant investment in people and talent. Yet again, ambitious business leaders from across the capital and a broad range of sectors featured heavily. It's further evidence that ambition continues to surpass the slowing economic climate.

The London-based business leaders that featured in 2019's Top 50 list included Rachel Parsonage, CEO of Teddington-based KMI Brands. Rachel's company makes beauty products on behalf of Ted Baker and Orla Kiely and has created a niche for itself in a competitive market by successfully launching own brands, including Naughty Haircare. She is currently driving forward international sales and aims to reach £30m in turnover within three years.

Marc Chang, CEO of North London IT consultancy Block Solutions aims to take the company to £100m turnover in the next three years ahead of a potential IPO. Marc co-founded the business in 2006. He became CEO two years ago has taken the firm from £23m to £55m sales.

The CEO of fast-expanding flower delivery business Bloom & Wild, Aron Gelbard. He is committed to making sending and receiving flowers "the joy it should be". The Vauxhall-based business recently raised £22m of growth capital to fuel international expansion and create the European market leader.

Harry and George Hastings and Daniel and David Ox set up Essex-based Ocean Holidays in 2003. It provides a range of holiday booking and concierge services. The two pairs of brothers co-own the business, which grew 20 per cent in 2018 to hit £65m in revenue. They say their success is down to their bond and complementary skills.

If you're curious about how you or someone you know could feature in next year's programme, you can find out more at:

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