



THE  
GOOD  
ECONOMY

# Rebalancing the Economy

THE SOCIAL VALUE OF UK PRIVATE EQUITY  
2016

IN ASSOCIATION WITH



Private Equity Less Ordinary



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# Common Agendas

## A Foreword by LDC

There is broad consensus that the UK's economy remains unbalanced, leaving large parts of society vulnerable to risk and creating an uneven landscape of opportunity.

There is an equally broad consensus that the UK business community has a role and responsibility to help address what is a complex and growing problem.

This was the original driver of LDC's research collaboration with The Good Economy Partnership. The Good Economy Partnership provides social advisory and data analytic services (via Geoeconomics) to investors, businesses and communities. Our 2013 Report was an objective assessment of the social value of LDC's investment activity using a methodology which could be adopted by others, and has since been endorsed by the British Venture Capital Association (BVCA).

Much has changed since 2013. The economy has moved from recession into recovery, and the Coalition Government has given way to a Conservative-led majority.

What hasn't changed is the imperative to bring greater prosperity to our regions, the ability of small and mid-sized businesses to drive that agenda, and the need for investment capital to support them.

It is against this backdrop that we conducted the 2015 Report.

In summary, this Report shows that LDC remains a high social value contributor though its investment activity with an improving positive impact. Our approach to private equity investing is helping the UK meet its goal of a more 'balanced economy', which aligns with the broader goal of Lloyds Banking Group to help more businesses, households and communities prosper.

The fact that we've achieved this alongside a period of exceptional economic value creation underlines an important point: the two agendas are not opposed. This goes to the very heart of capitalism and its changing face.

In recent decades, we've seen a greater alignment between capitalist and social agendas. Perhaps more importantly, we've seen a shift towards business advancing its social impact outside of any policy intervention or enforced obligation, and more out of a sense of purpose, of "doing the right thing".

We see more and more examples of companies looking to align the financial interests of shareholders with the environmental and social interests of other stakeholders, including customers, communities and employees. The net effect is simple: better businesses.

What we're particularly proud of, beyond the impact of our direct investment, is the contribution of our portfolio businesses in this regard.

This report highlights four stand-out examples of companies that are creating significant economic and social value – the living embodiment of this concept. We would like to thank Ted Macdougall (Forrest), Chris Ormrod and Jeremy French (Ministry of Cake), Colin Porter (Joules) and Andrew Scaife (Quantum Pharma plc).

We hope this report provides a means by which the industry can shine a light on the positive social value of its activity – and to understand where and how it might do this better.

Many thanks to Mark Hepworth, Sam Waples and The Good Economy Partnership team who carried out the research. Also to John-Paul Preston and Rob Pendleton, who initiated and coordinated LDC's involvement in this study.

In summary, this Report shows that LDC remains a high social value contributor though its investment activity with an improving positive impact. Our approach to private equity investing is helping the UK meet its goal of a more 'balanced economy', which aligns with the broader goal of Lloyds Banking Group to help more businesses, households and communities prosper.



Martin Draper  
Co-Head & Chief Executive  
LDC



Chris Hurley  
Co-Head & Chief Executive  
LDC

# Executive Summary

The UK aspires to become a more 'balanced economy', by sector and region. This goal is backed by a social consensus amongst business, political and community leaders. Investment and business activity that leads in the direction of a more balanced economy therefore has intrinsic social value to the UK.

LDC, the UK's leading regional mid-market private equity house, does not intentionally seek to re-balance the UK economy. Nevertheless, LDC's routine business activities inherently promote and support the growth of two 'sectors' which experts believe are key to developing a more balanced economy – the mid-market business sector and the regional private equity sector.

This report assesses LDC's social value contribution to the UK in terms of balanced economy objectives.

**Endorsed by the BVCA as 'state of the art' methodology, The Good Economy Partnership's benchmarking analysis of the 2005-14 LDC portfolio ranges across five domains of 'balanced economy' performance.** The results are summarised in a 2015 Social Value Scorecard. This Report updates our 2013 Social Value Assessment and Social Value Scorecard, which covered the investment period 2004-13.

The assessment focuses on LDC's portfolio of private equity investments between 2005 and 2015 (February). The portfolio comprises 154 SMEs, 60% of which have had a relationship with LDC for at least three years. Firms with 50-250 employees make up 52% of the portfolio and firms with more than 250 employees account for a further 39%.

## Overall Performance

**The 2015 Scorecard shows that LDC's investment activity is highly favourable to the UK's 'balanced economy' objectives, particularly in delivering SME growth, re-balancing by sector and region, meeting external finance demand outside London and the Greater South East (GSE) and investing in disadvantaged areas.** The lower overall

score compared to the 2013 Report mainly reflects the UK's transition from recession to recovery. LDC's investment performance, current and planned, is strong and positive for the UK 'balanced economy' agenda.

## Investment

**LDC invested strongly through the recession and the recovery, £1 billion invested in the last three years, and £1.2 billion planned for the next three years.** Recovery has seen the UK private equity sector as a whole and bank lending improve, albeit from a very low 2008 base, but experts believe there is a long way to go.

## Investing in Disadvantaged Areas

**The 'social intensity' of LDC's portfolio is positive and encouraging.** LDC's portfolio is 1.1 times more concentrated in businesses located in Britain's most deprived communities than the UK business population as a whole, and 1.2 times more concentrated in sub-regions where communities struggle with high levels of unemployment.

**This Report also presents four case studies of UK-based businesses that have successfully grown with LDC's backing.** These studies illustrate the

# 3X

LDC's portfolio growth performance is three times greater than the national average growth for all SMEs.

## SME Growth

**LDC continues to generate high social value through its impact on business growth. The portfolio's growth performance is three times greater than the national average growth for all SMEs.** The lower index scores compared to the 2013 Scorecard are the result of the UK economic recovery, and stronger SME and local economic performance.

## Rebalancing by Sector and Region

**LDC is a positive force in rebalancing the UK economy by sector and region.** LDC investee businesses are 2.7 times more concentrated in sectors whose growth is key to rebalancing the UK economy, notably manufacturing and export-intensive industries, compared to the wider UK business population. LDC investee businesses are 1.2 times more concentrated in regions outside London and the GSE, where private sector investment is needed to achieve balanced growth, compared to the wider UK business population. LDC is 1.7 times more active in investing outside London and the GSE than the rest of the UK private equity sector, underlining its exceptional contribution to rebalancing economic growth and employment by region.

'rebalancing power' of private equity investment, as a generator of business growth across regions, from Bolton to Torquay, and in different sectors, from 'special' medicines to cakes to social housing. **They also demonstrate that balanced private equity investment can achieve inclusive job growth across the country.**

These businesses believe that LDC's local presence helped to establish a successful and productive working relationship, suggesting that the UK would benefit from a more decentralised private equity sector. The private equity sector should then forge closer links with leading economic development players, notably Local Enterprise Partnerships representing bigger city-regions.

Developing the mid-sized business and wider SME sectors of the UK's 'balanced economy' requires considerable skill, judgement and understanding. Success stories and best practice from the private equity investment sector, as presented here, have a definite social value in themselves as the UK searches for effective routes to of developing a more balanced economy for the benefit of everyone, wherever they live and work.



# 1. Introduction

Established in 1981 as a subsidiary of Lloyds Banking Group, LDC is the UK's leading regional mid-market private equity house. Its particular market position is such that LDC offers a valuable 'window' for exploring how two sectors can potentially combine to realise the UK's ambition to become a more balanced economy.

The mid-market sector contributes more in terms of both growth and jobs than any other business sector. The 3.4million jobs created by mid-market enterprises in the UK represent 14.5% of private-sector employment and are on a par with France, at 14.2%, and Germany, at 14.7%. The businesses also contribute almost twice as much to economic output as the financial services industry and three times as many jobs.

The UK private equity sector could play a bigger role in rebalancing the UK economy, if it was less London-centric and more regionalised, according to academic experts the Regional Studies Association (RSA) and industry body the BVCA.

This report assesses LDC's particular contribution to the UK's 'balanced

economy' objective. However we believe that the results may have wider interest and relevance to the UK private equity sector, as well as the wider public/policy debate on how the UK's 'balanced economy' objective can be met in reality and in mainstream markets.

The 2013 Report – "Value in Private Equity" (March 2014) – introduced the concept of 'social value' to describe LDC's wider economic development and employment contribution to the UK and its regions and local economies. It applied a new methodology to assess these benefits in terms of the UK's 'balanced economy' objectives – an ideal economy capable of inclusive and sustainable growth.

**LDC creates social value by helping the UK to meet its balanced economy goal – an aspiration for the country that business, political and community leaders agree upon.**

This Report updates the 2013 Report including its summary Social Value Scorecard.

- **Section 2** provides an overview of LDC as a private equity investor. It also explains the framework used to assess LDC's social value to the UK, in terms of the nation's 'balanced economy' goal and objectives.
- **Section 3** presents the results of analysing LDC's 2005-14 portfolio of equity investments using five sets of 'balanced economy' benchmark indicators.
- **Section 4** draws together the results of the portfolio analysis in the form of a Social Value Scorecard. Its set of 14 indices show how LDC performs against national and sector benchmarks for five domains of the 'balanced economy'.
- **Section 5** presents four case studies of social value creation in LDC portfolio businesses. The studies illuminate the role of private equity in business growth and transformation, showing that social value is co-created in the form of job opportunities, regional economic development and export markets.



## 2. LDC and Social Value

### 2.1 An Overview of LDC

LDC is a leading player in the UK mid-market for private equity investment (Chart 2.1). Since 1981 it has made 500 investments in this vital business sector of the UK economy. It currently manages a portfolio of 90 businesses employing more than 37,000 people. LDC has invested £1 billion in UK-based businesses over the past three years, and plans to invest a further £1.2 billion over the next three years.

Chart 2.1: “Top 9” in the UK Private Equity League Tables, £5-150 million, 2015

Investor	Volume	Value
LDC	14	£462m
Business Growth Fund	13	£97m
Octopus Investments	9	£132m
Endless LLP	7	£284m
Index Ventures	6	£146m
Balderton Capital	5	£126m
Living Bridge (formerly ISIS Equity Partners - London)	5	£100m
MML Capital Partners	5	£172m
Synova Capital	5	£146m

Source: Unquote, Q3, 2015

LDC provides equity finance to high growth businesses with ambitious management teams. These businesses have an established trading history, sustained pre-tax profits in excess of £1 million and growth potential. LDC provides up to £100 million of private equity for management buy-outs, institutional buy-outs and development capital (finance for growth through replacement, expansion and acquisition). **The regional and sector ‘spread’ of LDC’s equity investments is inherently consistent with the ‘balanced economy’ model.**

- **By sector:** LDC investments are spread across industrials, technology media telecommunications (TMT), retail & consumer services, support services, travel & leisure, healthcare, construction & property and financial services.
- **By region:** LDC expertise is spread across eight regional offices, enabling its network across the local business, advisory and banking stakeholder communities (Chart 2.2).

Chart 2.2:  
LDC’s Regional  
Spread of Offices  
and expertise, 2015



## 2.2 Social Value and the Balanced Economy

There is no single definition of social value. As explained in the 2013 Report, we define social value based on the ideas of two influential economists:

### Joseph Schumpeter:

*“Social value refers to the value society itself sets on things – such as the firm’s activities as an individual business.”*  
(*Quarterly Journal of Economics*, 1908)

### Michael Porter:

*“Businesses create economic value as market actors whilst simultaneously creating shared value for society by addressing its needs and challenges.”*  
(*Harvard Business Review*, 2011)

As in the 2013 Report, we define LDC’s social value to the UK in terms of its contribution to developing a ‘balanced economy’ that can deliver inclusive and sustainable growth. This is the big challenge facing the nation according to political, business and community leaders (please see section 6).

The current Conservative Government adopts a social value rationale for rebalancing the UK economy. In the words of Prime Minister David Cameron (May 2015):

*“We must ensure that recovery reaches all parts of our country from north to south, from east to west. Indeed it means rebalancing our economy, building that northern powerhouse. It means giving everyone in our country a chance so no matter where you are from you have the opportunity to make the most of your life.”*

Rebalancing the UK economy is proving to be a difficult challenge – like turning a super-tanker, but more uncertain. According to research by Sheffield Political Economy Research Institute (British Political Economy Brief No. 14):

*“There is very little evidence that the UK economy has been rebalanced since 2010, on the terms publicly espoused by the*

*Conservative Party in government. The UK’s trade deficit has improved since the financial crisis, but not by a significant margin. There has been no rebalancing from consumption to investment – both now make up a slightly smaller proportion of GDP. Finance appears to be a slightly smaller component of the UK economy, yet so too is the manufacturing sector. Economic activity within London and the South East is now a larger component of the UK economy, and output in the Northern regions now a smaller component.”*

Clearly, transforming the UK into a ‘balanced economy’ requires a coordinated policy approach. For example, the Government’s plans to build a ‘Northern Powerhouse’ extend to new city-regional governments, science and technology platforms and extensive transport infrastructure improvements, including HS2 rail. More pertinent to this Report, the highly respected RSA believes that a ‘balanced economy’ needs to be underpinned by a decentralised financial system:

*“There is evidence that the geographically skewed nature of the capital markets operates in a spatially biased way, creating funding and financing gaps especially for SMEs and firms in economically weaker and peripheral localities and regions. The UK’s financial system is overwhelmingly concentrated in and controlled from London. Experience from Germany suggests that a more regionally decentralized financial system is associated with a greater regional evenness in the allocation of funding to small firms. The spatial organisation of the German venture capital sector, involving several major centres, contrasts with the situation in the UK, where the venture capital industry is overwhelmingly concentrated in London and the surrounding South East.”*

The RSA’s view is consistent with our own analysis of the role of private equity investment in rebalancing the UK economy.

We argued in the 2013 Report that a key factor in LDC’s successful growth partnerships with UK-based mid-market companies is its established regionalised structure. The case studies presented later in this Report underline this ‘regional factor’ in LDC’s contribution to SME growth across the country.

LDC’s contribution to developing a balanced UK economy – how this report assesses its social value to the country – is squarely based on its investment performance in growing mid-market businesses. Tom Papworth, Director of Centre Forum, has highlighted the role of mid-market companies in bringing about a more inclusive pattern of economic growth:

*“SMEs, and especially a small number of medium-sized enterprises with high growth potential, are responsible for a disproportionately high number of movements from worklessness to employment, and are more likely to employ the very groups that we are most eager to “include” in growth. At present, the growth of these firms is constrained by difficulties accessing the appropriate forms of capital in the sums needed.”*

LDC is a leading provider of external finance to medium-sized businesses, and works closely with their management teams to achieve business growth. This business growth leads to wider economic benefits for the UK – at the national, regional and local levels – particularly in the form of employment. Thus, in keeping with Schumpeter and Porter, we model LDC’s social value in terms of these linked business growth outcomes and their wider economic benefits, the latter being measured by their alignment with the country’s ‘balanced economy’ objectives. These ideas were used to create the social value assessment framework shown in Chart 2.3.



Chart 2.3: Social Value Assessment Framework



As in the 2013 Report, we analyse LDC's investment performance across five key areas of the 'balanced economy':

<b>Investment</b>	The value, growth and regional spread of LDC investment is benchmarked against the rest of the UK private equity sector and overall bank lending to businesses, as well as gross business investment
<b>SME Growth</b>	The business growth performance of the LDC portfolio as a whole is benchmarked against sector and local economic averages, using turnover and employment growth indicators
<b>Rebalancing by Sector</b>	The sector spread of LDC's portfolio businesses is benchmarked against the UK average (the national business stock), with a focus on industry sectors that are favourable to 'rebalancing' – e.g. manufacturing
<b>Rebalancing by Region</b>	The regional spread of LDC's portfolio businesses – by firms and employment – is benchmarked against the spread of all UK businesses, and the SME and medium-sized enterprise populations
<b>Investing in Disadvantaged Areas</b>	The concentration of LDC's portfolio businesses in the UK's most deprived localities and high-unemployment areas is benchmarked against the UK business population as a whole

The results of the above benchmarking analysis are presented in the following section and are converted into a series of "Social Value Indices" that measure the degree to which LDC's investments are aligned with, and favourable to, the UK's 'balanced economy' objectives. These indices are brought together in the form of a "Social Value Scorecard" summarising LDC's investment performance as a whole.

The Assessment Framework was also used to guide the business case studies of social value creation presented in Section 5. Based on interviews with senior managers and directors, these studies reveal more about the nature and scope of LDC's relationships with its portfolio businesses, which can be inferred but not directly revealed in the portfolio-level data analysis. The studies highlight the shared or joint nature of social value creation at the level of the business and the economy, locally and nationally.

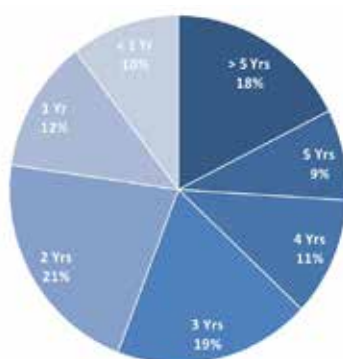
The framework used in the 2013 Report was a generic welfare economic model for assessing the direct and indirect economic impacts of any (large) business. Although adequate for framing the LDC portfolio analysis, we have favoured using a more refined framework that applies more directly to private equity investment for the 2015 assessment. Adjusting the framework shift does not alter the portfolio analysis, and indeed is more helpful as a frame of reference for the four case studies in Section 5.

# 3. The Portfolio Analysis

This analysis focuses on LDC's portfolio of private equity investments between 2005 and 2015 (February). The portfolio comprises 154 businesses, 60% of which have had a relationship with LDC for at least three years. We distinguish between 'past investments' – i.e. where LDC has entered and exited – and 'current investments', where it remains as an active investor.

LDC's investment portfolio is comprised of larger SMEs and 'mid-sized' businesses: firms with 50-250 employees make up 52% of the portfolio and firms with more than 250 employees account for a further 39%; 9% of the portfolio consists of businesses with less than 50 staff.

Share of the LDC Portfolio by Length of Involvement Time (%)



## 3a. Access to External Finance

The 2013 Report showed that LDC invested strongly through the recession years, whilst bank lending to SMEs and the rest of the private equity sector declined.

- **Chart 3.1** shows this positive 2008-12 performance, and also that LDC has maintained a strong momentum in the recovery years.

Furthermore, LDC has pledged to invest a further £1.2 billion in the UK mid-market business sector over the next three years.

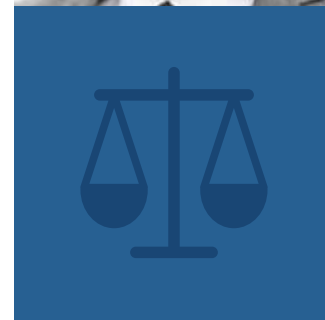
- **Chart 3.2** shows that bank lending to SMEs has picked up across the regions since 2012 although this indexed improvement comes from a very low 2008 base.

According to the Engineering Employers Federation "SMEs were really starved of credit availability. The good news is that it is getting better but I think there is a long way to go."

Kevin Daly, Senior Economist at Goldman Sachs comments: "The availability of credit to SMEs is improving. I think it has an awful long way to improve. It is coming from a very low base".

- **Chart 3.2** also shows a similar down-and-up investment cycle for the UK private equity industry over the recession and recovery. BVCA figures show that there are more than 2,200 companies in the UK backed by private equity firms or venture capitalists. LDC holds equity investments in more than 90 UK SME / mid-market businesses, with a cumulative equity investment of approximately £2 billion.

The CBI believes that "there is a greater role for equity finance to provide patient finance to small and medium-sized businesses, but it is extremely under-used in the UK due to barriers on both the demand and supply side."



Of the 75 current investments from the previous (2003-2013) analysis 22 have since exited, 6 businesses have had reinvestment and 47 remain current. The 54 'past' investments from the previous analysis were all active at some point during 2005 – 2015 and therefore remain in the total portfolio; one of these companies has also had fresh investment and has therefore become current again. Since the last analysis there have been 25 investments in companies that LDC has had no previous relationship with. Of LDC's investments up until end of February 2015, 78 companies are current and 76 have been exited. House of Commons Treasury Committee, "Conduct and Competition in SME Lending", March 2015

Chart 3.1: Number and value of LDC equity investments 2005-2014

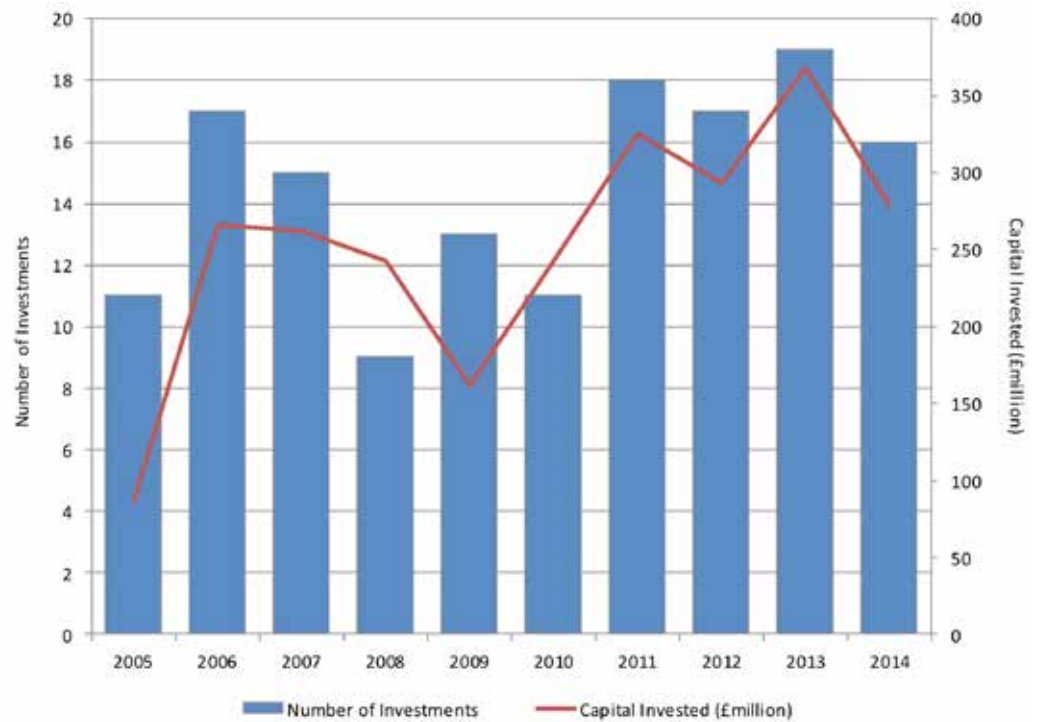
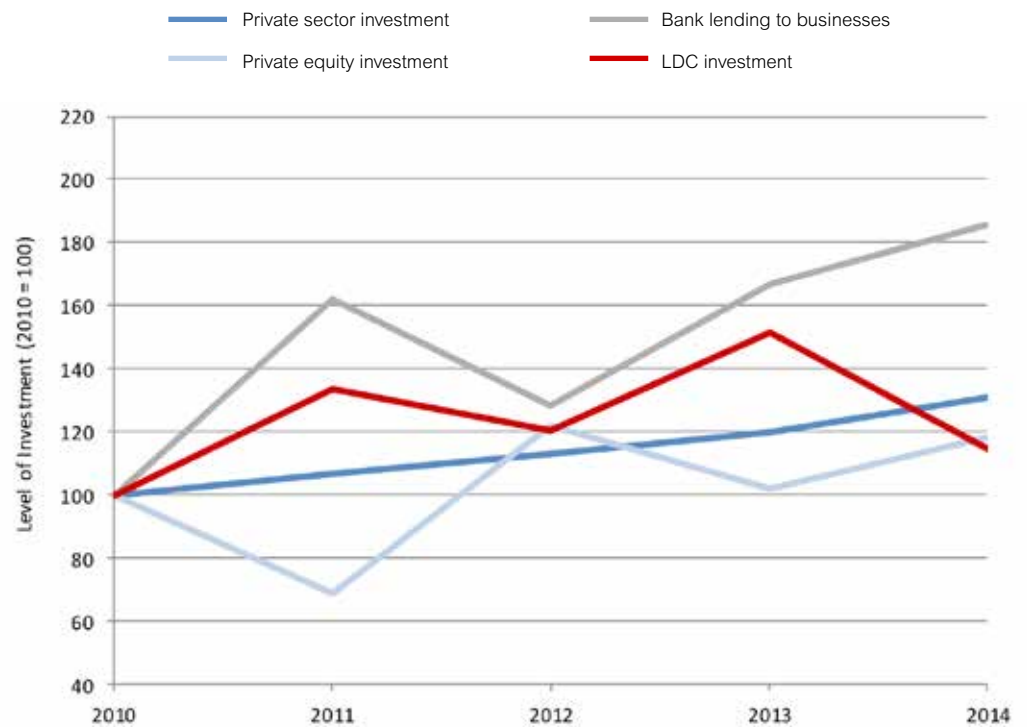


Chart 3.2: LDC versus UK investment trends, 2010-2014



Source: Private Sector Employment - The Blue Book, Gross fixed capital formation, ONS 2015. Bank Lending - Trends in Lending/Credit Conditions Review Q2 2015, Average net monthly flow, Bank of England. Equity Value, Unquote.

### 3b. Investing in SME Growth

The Octopus High Growth Small Business Report 2015, produced by the Centre for Economics and Business Research, highlights the value of high growth small businesses (HGSB) to the UK economy and the role these companies could play in driving regional growth, addressing the North-South divide and rebalancing the economy. One in every three new jobs in the UK, and almost 20% of economic growth, was created by HGSBs, although they make up less than 1% of UK businesses. These 22,470 companies created three times more new jobs in 2014 than the entire FTSE 100.

The Octopus Report makes the case for growing the HGSB stock by 25% in every region over the next five years, arguing that HGSBs have a disproportionate impact on weaker-performing economies. Nearly three in every five of these companies are based outside London and the South East, and more than 70% of HGSB turnover comes from outside London.

Chart 3.3: Business growth during LDC involvement

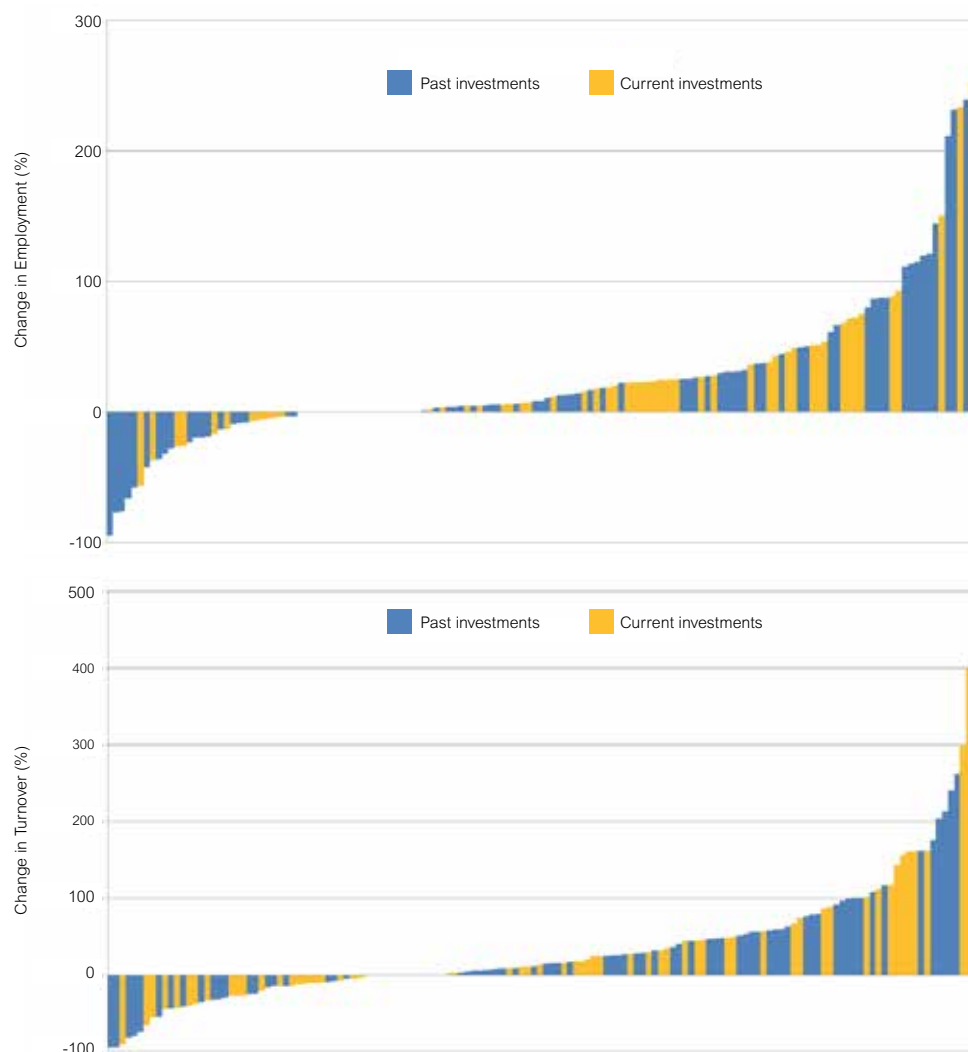
(From investment date to exit date, or 2014 if still a current investment)

- **Chart 3.3** shows a two-thirds majority of LDC investee businesses grew by both employment and turnover during their period of involvement with LDC (three years on average). Aggregate employment across the whole portfolio increased by 27% (10% previously) and aggregate turnover grew by 20% (27% previously). Median business growth within the portfolio was 12% and 16% for employment and turnover respectively.

The ‘piano’ charts show that, on balance, LDC investee employment and turnover growth performance is positive. Together with our argument about the disproportionate positive impacts of LDC investees on weaker local economies – which appears in the section on “Investment in Disadvantaged Areas” – our findings on business growth across the

LDC portfolio are consistent with those of the Octopus Report. We are mindful that Charts 3.3 and 3.4 also reveal negative business outcomes amongst the mainly positive success stories

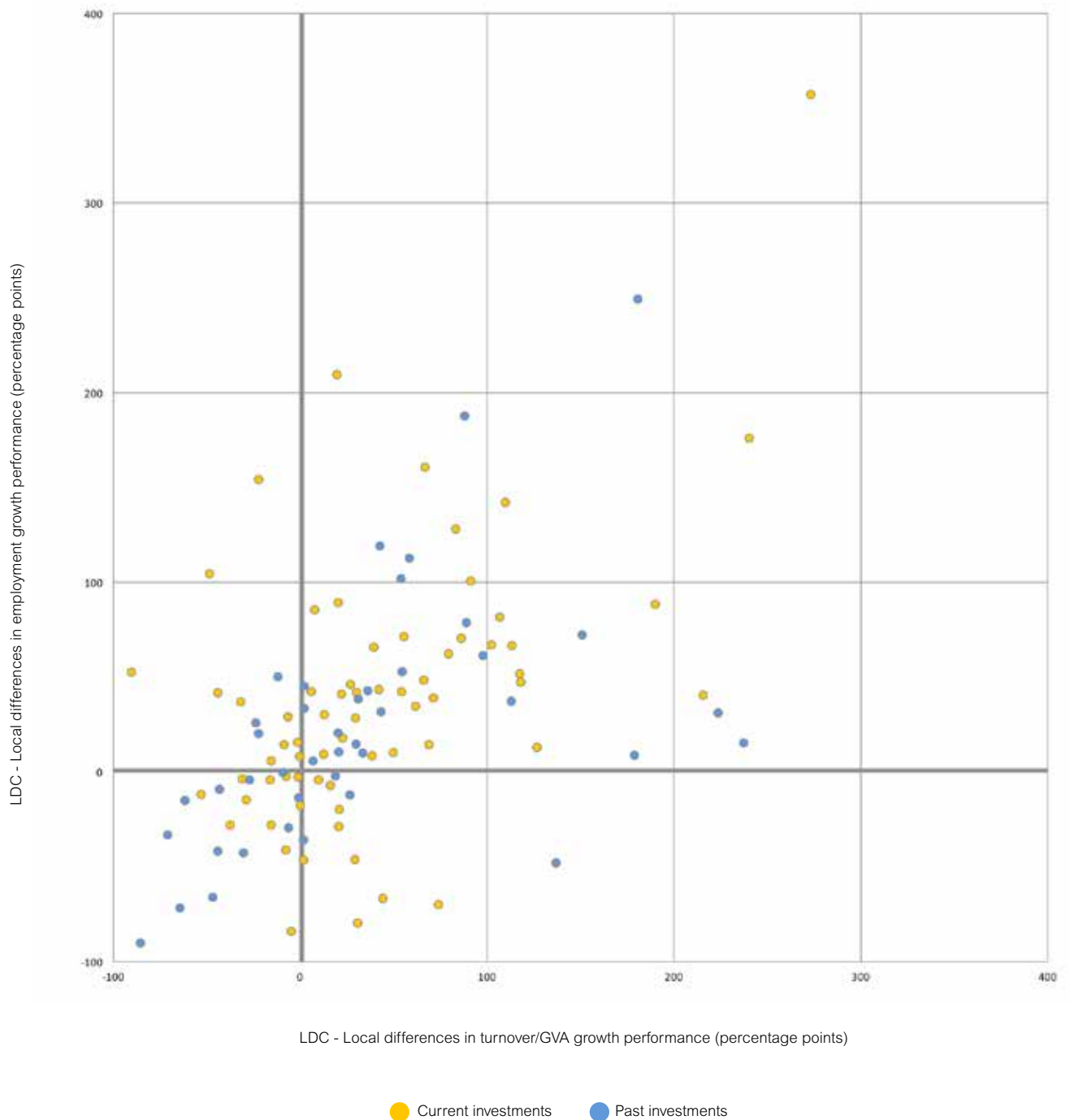
- **Chart 3.4** shows that most LDC investee businesses out-performed their ‘home’ local economies. 53% of investees (57% previously) out-performed their local economies by employment growth and turnover/GVA growth, compared to around 23% (18%) who under-performed.



GVA or gross value added measures the contribution to the economy of each individual producer, industry or sector in the UK

Chart 3.4: LDC investee growth performance versus local economic growth performance, 2010-14

The vertical axis measures the difference (by percentage point) in employment growth rates between individual LDC investees and their local economies by sector. The horizontal axis measures the difference in turnover/GVA growth rates between individual LDC investees and their local economies for all sectors. Local earnings growth is used as a proxy for local GVA growth. 'Local' here refers to the local authority area where the LDC investee has its head offices.





### 3c. Rebalancing by Sector

In terms of sectors (or industrial structure), rebalancing the economy requires shifts from consumer services to productive/tradable industries (especially manufacturing and business services), from domestic to export markets (particularly the BRIC countries) and from the public sector to the private sector. Please see Section 6.

- **Charts 3.5 and 3.6** show that the striking feature of LDC's investment portfolio is its high representation of manufacturing and production-related businesses. Manufacturing and Information and Communication Technology, as positive rebalancing sectors, have a stronger presence in the 2015 LDC portfolio compared to

the first assessment. Export-intensive sectors are highly represented in the LDC portfolio compared to the national average by a factor of 2.7 (location quotient score).

Public services are a minor part of the LDC's portfolio, such that its investment activities favour rebalancing towards the private sector. Private sector jobs are now seen as the most sustainable route out of poverty. Thus, local economies across the UK where private sector employment is low have the greatest social need for new business investment, as a route to tackling poverty. Nearly half (47%) of LDC's portfolio businesses are in areas of Britain with low private sector employment densities –

around the national average, and lower than the 2013 assessment figure of 53% (Chart 3.7).

It should be noted that the impact on rebalancing towards the private sector at the local level – particularly in areas where it is most needed – is proportionately greater because LDC investee businesses are bigger and have a better employment growth performance compared to the average local business (Chart 3.4). This above-average direct job impact and the ensuing higher local employment multiplier (indirect impact) enhance LDC's social value contribution to rebalancing and poverty-reduction at the local level.

Chart 3.5: Sector balance of LDC portfolio investment versus GB business stock, 2014

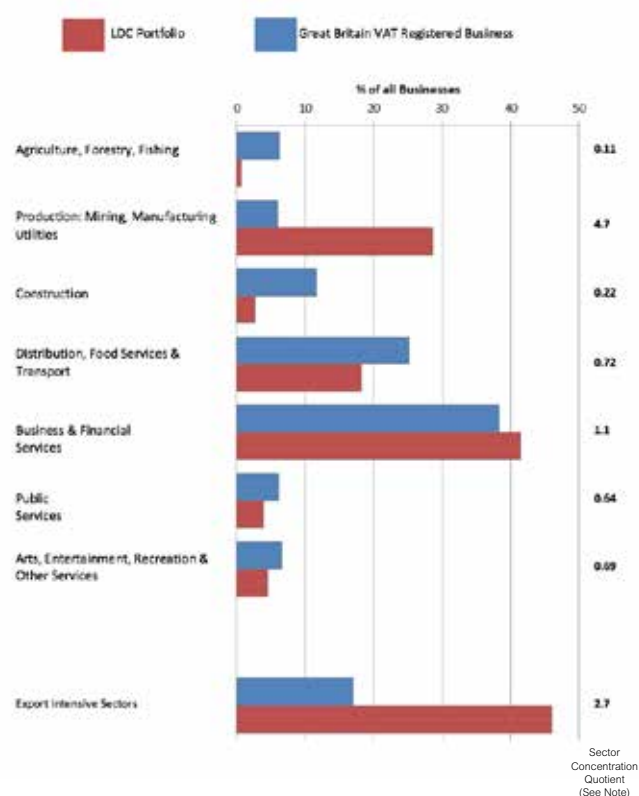
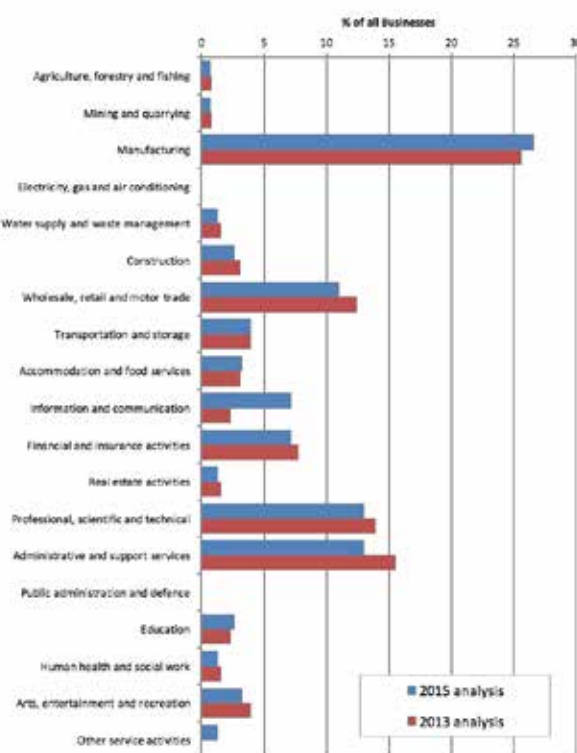


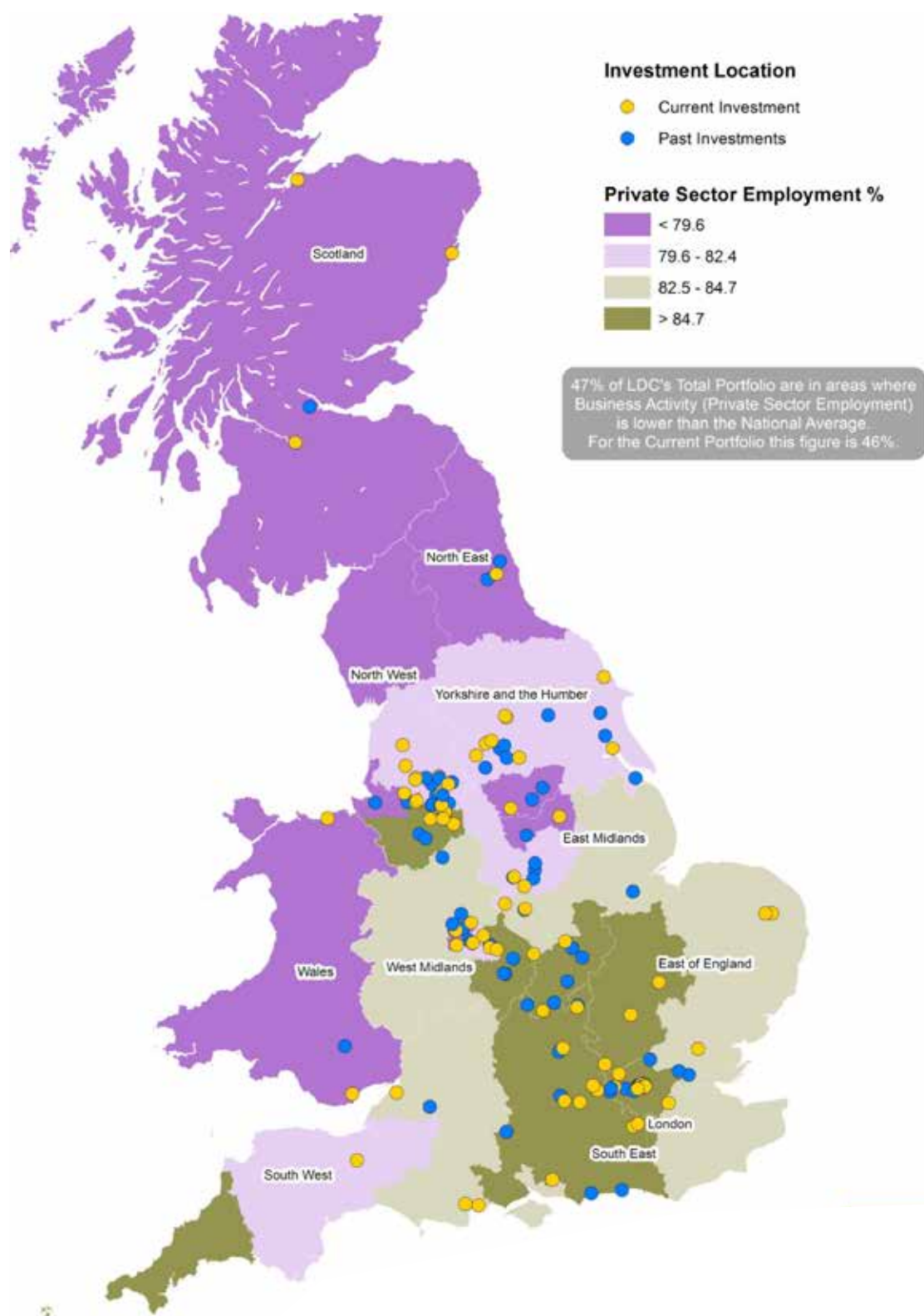
Chart 3.6: Sector balance of portfolio, 2013 versus 2015



"Government to strengthen child poverty measure", Department for Work and Pensions, July 2015

Note: LDC 'sector concentration quotient' is shown on right of chart. A score of above 1 means the sector is over-represented in LDC's portfolio relative to the national average; a score of less than 1 means it is under-represented. The strong concentration of Production/Manufacturing in the LDC portfolio – shown by the high 4.7 Location Quotient score on the right of the chart.

Chart 3.7: Location of LDC investees by private sector-intensive local economies, 2014



Note: This analysis uses LDC Investee Head Office locations only.  
Source: LDC; Business Register and Employment Survey 2014

### 3d. Rebalancing by Region

The RSA highlights the social argument for rebalancing the economy as follows:

*“Relatively slow-growing regions that fail to generate sufficient jobs for their residents tend to export their population to other regions through outward migration. Sustained outward migration, often by those who are the most enterprising, qualified and skilled, is ultimately very damaging to the economic potential and social cohesion of the origin regions – where a large 70% majority of Britain’s population live.”*

As highlighted in Section 2, the RSA argues that a more decentralised financial sector, including private equity, is needed to rebalance the UK economy by region. We strongly support this viewpoint, as does BVCA head Tim Hames (2013):

*“We desperately do need to rebalance the economy but that rebalancing must be much more geographical than sectoral. Venture capital has deep regional roots in Britain and operates right across Britain. What we need instead is a larger number of larger VC funds, not a smaller, richer, more London-centric market.”*

**LDC has a well-established regional presence outside London and the GSE, in a private equity sector that otherwise is recognised as being London-centric.** Geographical proximity is important to LDC’s investee businesses, as shown by the case study findings in Section 5.

- **Chart 3.8** shows that, over time, LDC’s investment performance outside of the GSE is well above the national private equity sector as a whole. In 2014, 69% of LDC investments were outside of the GSE compared to 40% in the rest of the private

equity sector. Similarly, 61% of the value of LDC’s deals was outside of the GSE. This figure drops to 36% for the rest of the industry.

- **Chart 3.9** shows that about two-thirds of LDC’s portfolio businesses are located outside the GSE, significantly higher than the national average for all businesses and SMEs with more than 50 employees. This matches the previous assessment. Notably, newer LDC investments are even more concentrated in the Regions (Chart 3.11).
- **Chart 3.10** indicates that the regional employment impacts of LDC investments are even greater, with nearly 90% of jobs created by newer LDC investments being in the Regions.

Chart 3.8: Private equity investment outside the Greater South East, 2005-2014, LDC versus the rest of the UK private equity sector



Source: LDC. Unquote (Unquote data includes details of all private equity deals in the UK. Between 2005 and 2014 there have been over 5000 individual deals; equity value details are only available for 45% of these deals).

Chart 3.9: Regional distribution of LDC investees and GB business stock, 2014

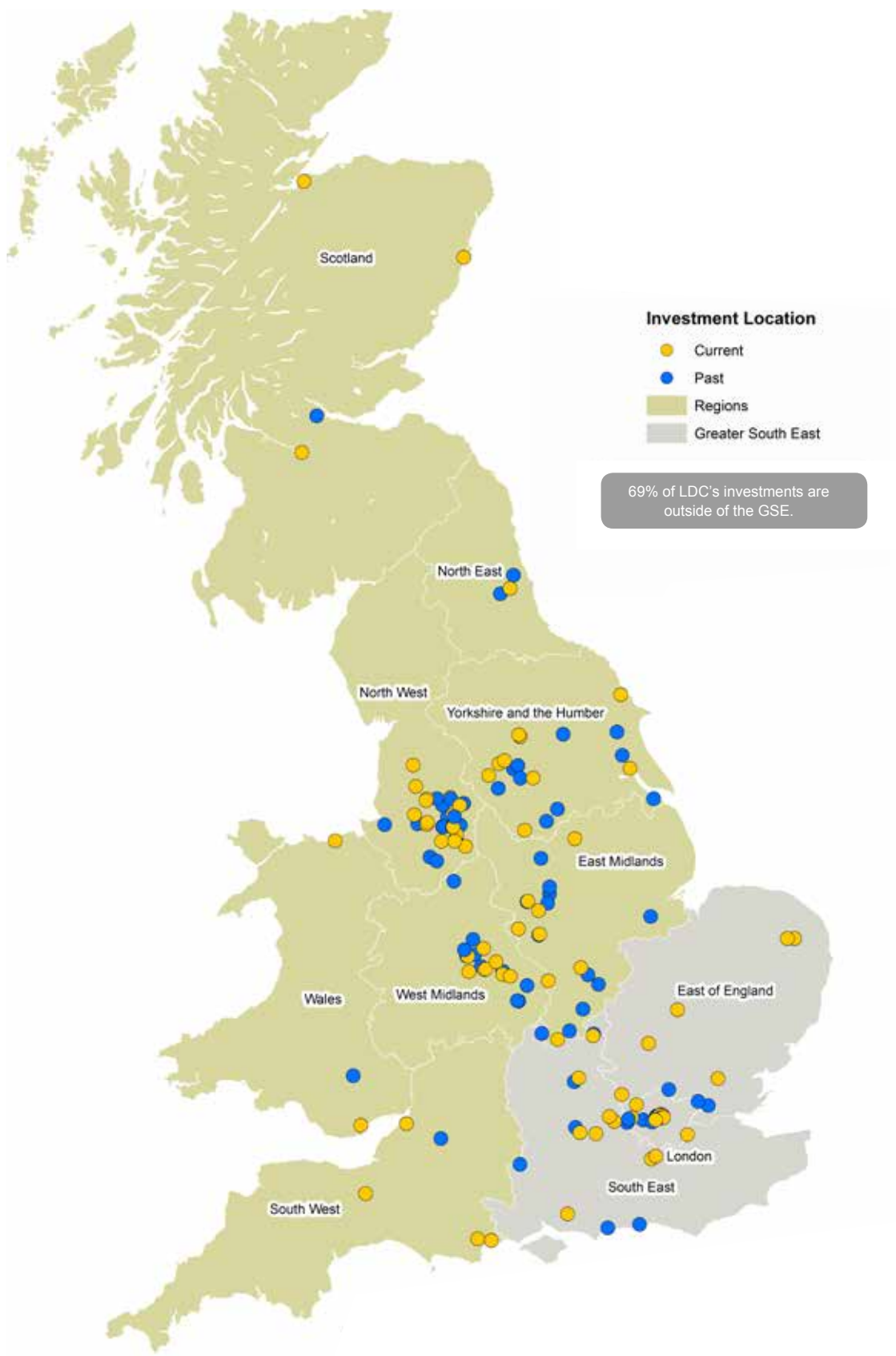
	Regional share of businesses (%)			
	All LDC investments	Most recent LDC investments	All GB SMEs (1 - 250 employees)	All GB mid-sized and above (50+ employees)
East Midlands	11.7	12.5	6.9	7.3
East of England	6.5	6.3	10.1	9.2
London	14.9	12.5	17.5	15.8
North East	1.9	3.1	3.0	3.8
North West	19.5	15.6	10.1	11.1
Scotland	2.6	6.3	7.7	8.5
South East	11.7	12.5	15.7	14.2
South West	3.2	9.4	9.4	8.2
Wales	1.9	3.1	4.3	4.3
West Midlands	13.0	6.3	8.2	9.1
Yorkshire and The Humber	13.0	12.5	7.3	8.4
Great Britain	100	100	100	100
<i>Greater South East (GSE)</i>	<i>33.1</i>	<i>31.2</i>	<i>43.2</i>	<i>39.2</i>
<i>Outside GSE</i>	<i>66.9</i>	<i>68.8</i>	<i>56.8</i>	<i>60.8</i>

Chart 3.10: Regional employment Distribution of LDC investees and all GB businesses, 2014

	All LDC Investments	Most recent LDC Investments	All GB Private Sector Employment
East Midlands	6.3	16.5	7.1
East of England	2.0	1.0	9.4
London	17.8	2.8	17.2
North East	1.8	2.1	3.5
North West	18.9	32.6	10.8
Scotland	10.7	6.2	8.2
South East	7.0	8.6	14.5
South West	1.9	10.0	8.7
Wales	1.5	2.5	4.1
West Midlands	10.1	3.3	8.6
Yorkshire and The Humber	22.0	14.4	7.9
Great Britain	100	100	100
<i>Greater South East (GSE)</i>	<i>26.8</i>	<i>12.3</i>	<i>41.1</i>
<i>Outside GSE</i>	<i>73.2</i>	<i>87.7</i>	<i>58.9</i>

Source: LDC, UK Business: Size, Activity and Location 2014, Business Register and Employment Survey 2014  
'Most recent LDC investments' refers to all investments made since the 2013 Report.

Chart 3.11: Regional distribution of LDC portfolio businesses, 2005-14



Note: This analysis uses LDC Investee Head Office locations only.  
Source: LDC



### 3e. Investing in Disadvantaged Areas

According to the Office of National Statistics, the employment rate in the UK for the three months ending May 2015 was the highest in the South West (77.4%) and lowest in Northern Ireland (67.9%). During the same period the unemployment rate was highest in the North East (7.7%) and lowest in the South East (4.4%). The employment rate estimates showed very few large movements for the regions and countries of the UK.

- **Chart 3.12** shows 58% of all of LDC's investee businesses are located in areas where the local unemployment rate

is higher than the national average of 6.2%. This compares favourably with the national average share of 49% and matches with the 60% figure in the previous assessment (when the national unemployment was higher at 7.9%).

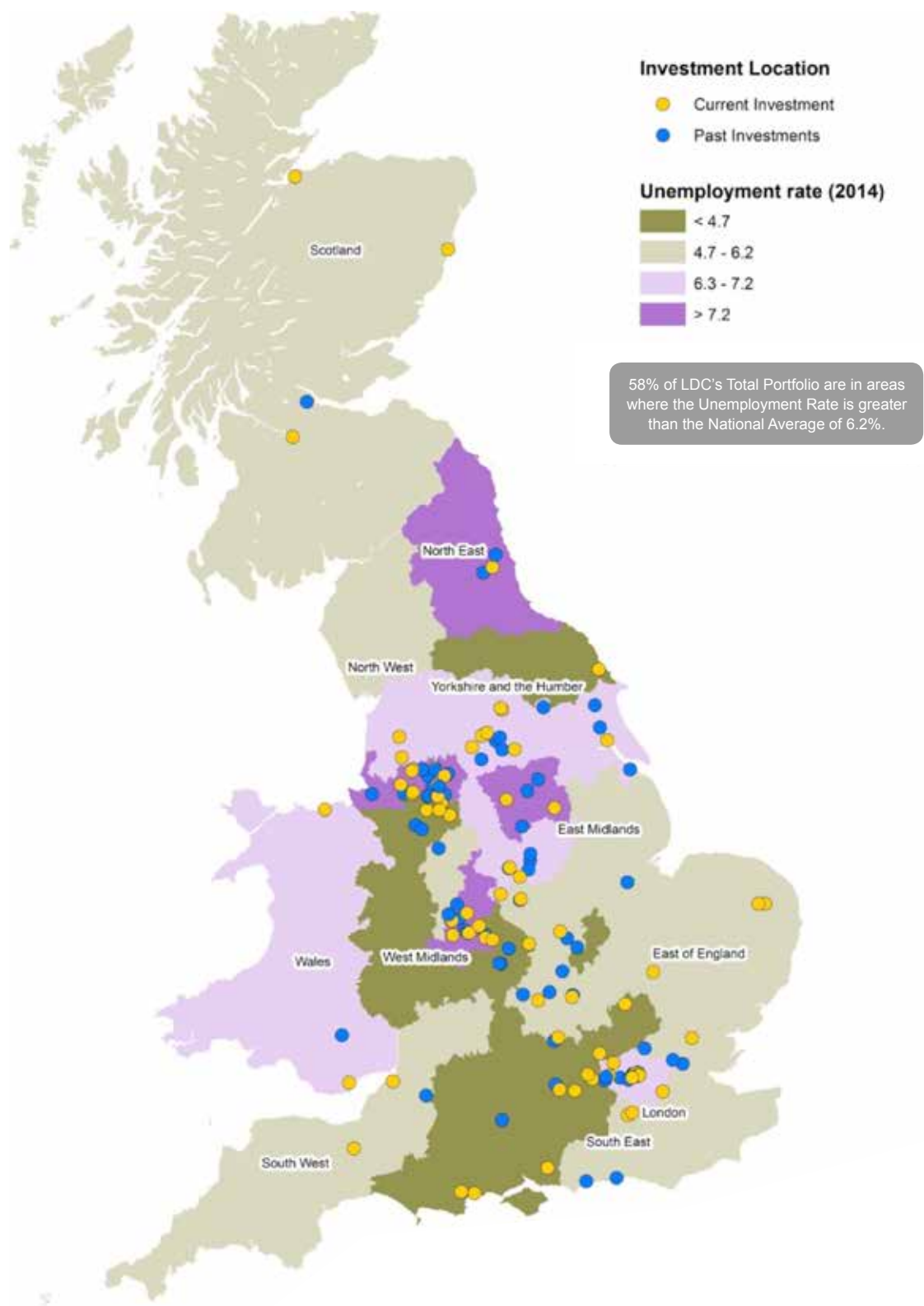
Socio-economic deprivation has been deeply entrenched in certain localities within all regions of the UK, including London and the GSE. Published by the Department for Communities and Local Government (DCLG), the Index of Multiple Deprivation (IMD) 2015 for England shows that:

*"The majority (83 per cent) of neighbourhoods that are the most deprived according to the 2015 Index of Multiple Deprivation were also the most deprived according to the 2010 Index."*

- **Chart 3.13** shows 35% of all of LDC investees are located in England's top 20% most deprived areas, the figure for the current portfolio being 37% (the previous assessment figures were 31% and 38% respectively). This compares favourably with a 31% figure for all businesses nationally with more than 50 employees.

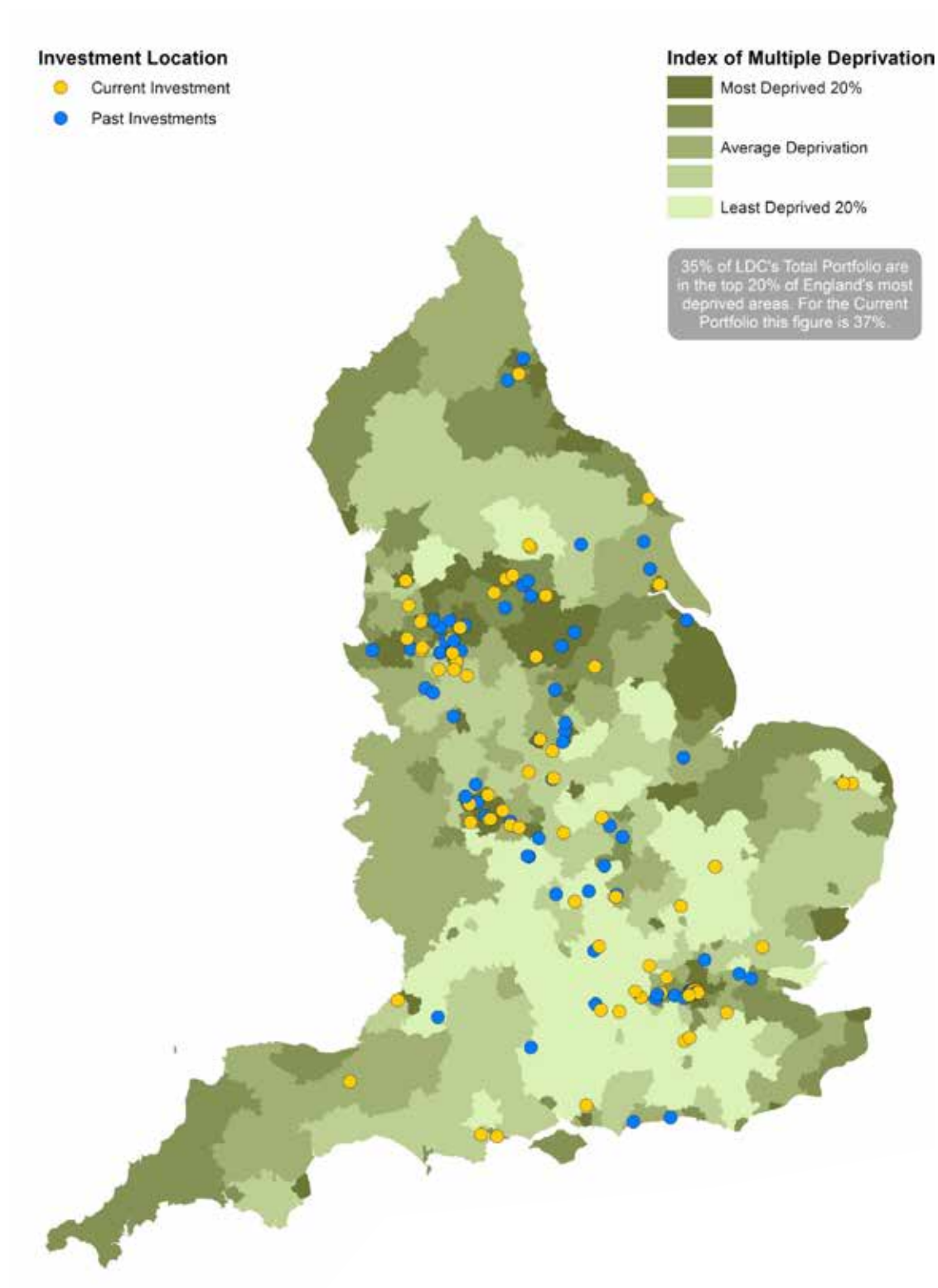


Chart 3.12: Location of LDC investees by local unemployment rate %, 2014



Note: This analysis uses LDC Investee Head Office locations only.  
Source: Annual Population Survey 2014

Chart 3.13: Location of LDC investees by level of local deprivation 2015



Notes: This analysis uses LDC Investee Head Office locations only. Scotland and Wales are excluded from the above analysis because they use different and non-comparable measures of deprivation – this excludes 7 LDC businesses.  
Source: Index of Multiple Deprivation 2015

## 4. The LDC Social Value Scorecard

Here we synthesise the results of the portfolio analysis in the form of a Social Value Scorecard. For each domain of social value creation, we have produced a social value index which measures LDC's performance against national and sector benchmarks. An index score of above 1 means that LDC out-performs the national or sector benchmark, whilst a score of less than 1 means that LDC under-performs.

The 2015 Scorecard includes two indicators/indices that did not appear in the 2013 Scorecard. Highlighted in *italics*, the new indices assess LDC's investment performance against the rest of the UK private equity sector. For comparison, the results of the 2013 Scorecard are shown in brackets.

It is important to note that the social value index is a relative measure. LDC's score is determined by a combination of both its own performance and wider national and sector performance (the benchmarks). The 2013 Scorecard results mirrored the 2008-12 Recession, when LDC's own investment performance was strong, but wider national economic and sector performance was very weak. The 2015 Scorecard results, on the other hand, mirror the post-2012 Recovery, where LDC's performance remains strong, but national and sector performance has improved markedly from a low 2008 base. These changes in the UK macroeconomic context are the main reasons for significant differences in the 2013 and 2015 Scorecard results.

- **Chart 4.1** is LDC's Scorecard which is very positive with the company out-performing national and sector benchmarks in 13 of the 14 social value scores. Scores dip below 1 only for the bank lending and business investment benchmarks. As highlighted earlier, this statistical 'dip' is exceptional and reflects the very low 2008 base used to index business investment and bank lending trends. The fundamental point is that LDC maintained its own high investment performance over the four-year period.

**LDC continues to generate high social value through its impact on SME business growth.** The lower overall social value index score compared to the 2013 Scorecard is the result of the UK economic recovery and stronger SME and local economic performance.

**LDC is a positive force in rebalancing the UK economy by sector and region.** LDC investee businesses are 2.7 times more concentrated in sectors whose growth is key to rebalancing the UK economy, notably manufacturing and export-intensive industries, compared to the wider UK business population. LDC investee businesses are 1.2 times more concentrated in regions outside London and the GSE, where private sector investment is needed to achieve balanced growth, compared to the wider UK business population. LDC is 1.7 times more active in investing outside London and the GSE than the rest of the UK private equity sector, underlining its exceptional contribution to rebalancing economic growth and employment by region.

**The 'social intensity' of LDC's portfolio is positive and encouraging.**

LDC investee businesses are 1.1 times more concentrated in Britain's most deprived communities, and 1.2 times more concentrated in sub-regions where communities struggle with high levels of unemployment, compared to the wider UK business population.

**In sum, the 2015 Scorecard shows that LDC continues to be a 'high social value' player in the UK economy, through its private equity investments in mid-sized businesses across all sectors and regions.** The regional and sector distribution of its equity investments continue to be supportive of the UK's balanced economy goals. Finally, LDC's new 'investment pledge' to back the UK and its mid-sized businesses will ensure a high and sustainable rate of social value creation in future.

- **Chart 4.2** provides another breakdown of LDC's social value performance. LDC's strongest social value contribution comes from investing in export-led business growth and local employment generation in the Regions, both key aspects of rebalancing the UK economy.

Chart 4.2: LDC social value 'spider chart', 2013 and 2015 compared

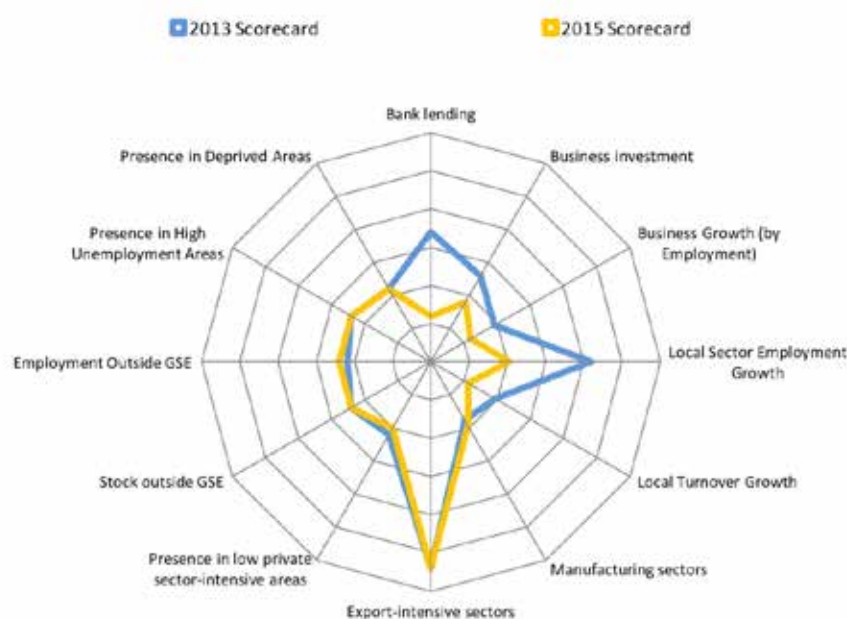




Chart 4.1: LDC Social Value Scorecard, 2015 (2013 scores shown in brackets)

Social Value Domain	Indicator	Portfolio Index Score	Domain Score
Investment (2010-14)	Bank lending	0.6 (1.7)	0.9 (1.5)
	Business Gross Investment	0.9 (1.3)	
	<i>Private Equity Sector Investment</i>	1 (n/a)	
SME Growth (2010-14)	Businesses Employment Growth	3 (4.8)	3 (4.8)
	Local Sector Employment Growth	5.1 (10.5)	
	Local Turnover Growth	2.8 (4.8)	
Rebalancing by Sector	Manufacturing Sectors	4.8 (4.4)	2.7 (2.7)
	Export-intensive Sectors	2.7 (2.7)	
	Businesses in low private sector-intensive areas	1 (1.1)	
Rebalancing by Region	SME Stock outside GSE	1.2 (1.2)	1.2 (1.2)
	Employment Outside GSE	1.2 (1.1)	
	<i>Private Equity Investment outside GSE</i>	1.7 (n/a)	
Investing in Disadvantaged Areas	Businesses in High Unemployment areas	1.2 (1.2)	1.2 (1.2)
	Businesses in Deprived Areas	1.1 (1.1)	
OVERALL SCORE		1.2 (1.5)	

Note: Some of the values for the 2013 scores have changed from the 2013 Report ('Value in Private Equity' (March 2014)). This is due to the refinement of measures used for some of the Indicators. The overall score for 2013 therefore has been re-calculated.



## 5. Case Studies

This section presents four case studies of social value creation at the business level. The studies illustrate the joint or shared nature of social value creation between the investee businesses and LDC.

Introductions to the four businesses were facilitated by LDC. Interviews with directors and senior management teams were carried out between July and September 2015.

### 5.1 The Businesses

The mix of case study businesses is shown below. The sample enables us to explore the role of private equity investment in business growth across different sectors and regions of the UK economy.

Interviews were carried out by telephone and supported by background research. Attention focused on the dynamics of business growth, the role of LDC as a private equity investor and the social value co-created by the business and LDC – particularly employment outcomes.

	<b>Ministry of Cake</b> is a manufacturer of cakes and desserts, with its head office in Taunton, South West (Turnover: £30 million, Employees: 330)
	<b>Joules</b> is a clothing and lifestyle retailer, with its head office in Market Harborough, East Midlands (Turnover: £100 million, Employees: 1400)
	<b>Forrest</b> is a construction services provider in the social housing, urban regeneration and educational sectors, with its head office in Bolton, North West (Turnover: £130 million, Employees: 550)
	<b>Quantum Pharma plc</b> is a manufacturer and supplier of 'special' medicines in the pharmaceuticals sector, with its head office in County Durham, North East (Turnover: £54 million, Employees: 300)



# Ministry of Cake



With historical roots as Yeovil-based “Maynards”, Taunton-based Ministry of Cake is the UK’s market leader in the production of chocolate fudge cake and a variety of popular desserts found on pub, coffeehouse and restaurant menus across the country.

## Business Growth

Ministry of Cake was part of Greencore Group for seven years before regaining its independence through a LDC-backed MBO in 2014. It has doubled in size over the past four years as a result of two major developments. Firstly, it acquired Brakes’ plant site at Torquay enabling it to expand capacity and diversify its product range. It retained a major manufacturing contract with Brakes and ‘upped its game’, the new plant was re-designed and fitted out to achieve economies of scale and increase labour productivity. The Torquay site is now dubbed the “Ministry of Puddings” and has become a ‘centre of excellence and innovation’ in hot puddings.

Secondly, it won a major contract with a leading coffeehouse chain shortly after the MBO, making it the sole supplier of ‘round cakes’ sold by the high street brand in the UK and Europe. This had a ‘colossal impact’ on the business and the company has become an exporter. The contract has driven continuous innovation and boosted the brand value of Ministry of Cake.

## The LDC Relationship

LDC’s investment supported the MBO and the subsequent purchase and re-equipping of the Torquay plant. The relationship between Ministry of Cake and Bristol-based LDC began when the company was first exploring its growth options and private equity was a serious option to consider. While interest from other national private equity houses waned, LDC’s regional team made regular monthly visits to Taunton in these initial phases. According to Finance Director Jeremy French:

*“Time spent was so important, because successful private equity is about investing in management teams and this requires getting to know the people concerned like building a friendship. This high trust and confidence in each other existed before the MBO itself.”*

CEO Chris Ormrod states that:

*“LDC’s investment has brought additional strategic input and financial backing to our business and will help us to deliver ambitious growth plans.”*

Jeremy French believes that geography mattered considerably to the evolution and success of the Ministry of Cake-LDC relationship. **He believes that a strong regionally-embedded private equity sector can provide a significant platform for regional economic growth in the South West and other areas of the UK outside London.**

## Social Value Created

Ministry of Cake is a valued business in the South West region, being a successful mid-sized, manufacturing employer in an area where local labour markets are dominated by the public sector, consumer services and self-employment.

Jeremy French also believes that the job-creation role of the Food Services sector tends to be overlooked. It is resilient to recession and *“...nobody has been made redundant at Ministry of Cake over the last four years.”* Staff value this job security – staff turnover is less than 1%.

Over the last three years, the company has grown its workforce by 25% in Taunton and Torquay, the majority of new jobs being factory-floor occupations filled by both men and women. The majority of its 260 permanent staff (and 70 agency staff) are paid above the National Living Wage announced in the Conservative Government’s July 2015 Budget.

Ministry of Cake sources ingredients mainly from UK-based suppliers, other than cocoa and chocolate. The business is aware of its social value to the South West region in terms of jobs and economic development. Further, as it moves into export markets, the company has become aware of its social value to UK plc more generally. Ministry of Cake ‘ticks most balanced economy boxes’.



# Joules



Founded 25 years ago in the Leicestershire market town of Market Harborough, Joules has evolved from a family business selling clothes at equestrian events and country shows into one of Britain's premium lifestyle brands with a nationwide network of high street outlets.

## Business Growth

Managing Director Colin Porter identified three milestones in the company's development: the original invention of the brand that introduced colour and contemporary design into traditional country clothing; the shift to multi-channel trading triggered by the impact of 'foot and mouth disease' on county and equestrian shows in 2001, and the scaling-up and business transformation enabled by LDC investment in 2013.

Joules has doubled its turnover in the last five years. Business growth is driven by continuous product extension around the lifestyle brand, its multi-channel expertise, its expanding network of retail stores and geographical diversification into overseas markets. Exports are expected to grow from 10% to 50% of total revenue over the next ten years.

## The LDC Relationship

**Joules believes that LDC's investment is a 'milestone' development. It supported the expansion of Joules' retail network, creating a strong ICT-infrastructure platform and the shift to a powerful and sustainable business model.**

**According to Colin Porter, after meeting with many private equity players in the search for external finance, Joules' management found that LDC offered the right 'chemistry' and genuine value added required for building a successful partnership.** LDC has been 'true to its word' in backing Joules' management team. Part of this support has involved networking Joules with other LDC investee businesses located in the East Midlands region that have successfully globalised their markets and operations.

## Social Value Created

Joules is an important private sector employer in rural East Midlands. Nationally, it employs around 1000 people in 91 stores with further job growth expected. In 'Joules Ville' or Market Harborough itself, the company employs about 250 people at its head office, including designers, managers, merchandisers and other corporate and support staff; and 15 minutes away in the old steel town of Corby, Joules employs a further 200 people in logistics, customer services and IT at its modern distribution centre.

In a London-centric sector, Joules has overcome high skill and graduate recruitment problems and succeeded in developing a 'country or rural brand'. It has exploited the trend amongst London professionals to commute in from high-amenity towns outside the capital - 'Joules Ville' is one-hour from St. Pancras. Internationalisation has made it a more attractive graduate employer, whilst increasing its social value to the UK in terms of export-led growth.





# Forrest



Established in the mid-1950s, Bolton-based Forrest has evolved from a small joinery firm into a high-growth construction services provider serving the social housing, urban regeneration and educational sectors.

## Business Growth

Forrest has increased its turnover from £39 million to £120 million over the last six years. This business growth has come from long-term framework agreements that regulate procurement in the UK social housing sector. Currently, Forrest is appointed to 68 Frameworks and is working for a diverse client group which includes, by way of examples, the ForViva group (comprising City West Housing Trust, Villages Housing Association and City West Works) which is a social organisation for life providing affordable housing solutions to its customers; Bolton at Home which is a Registered Charity owning and managing 18,000 homes in the Bolton borough and which has strong communities and pride in the quality of its estates and services as its key objectives; and X1, an award winning developer of private rental and student accommodation across the Northern Powerhouse region for whom Forrest is building an £11.5 million 111 apartment scheme at Eastbank in Manchester.

According to Development Director Ted Macdougall:

*"Frameworks form a key part of Forrest's growth strategy. In the North West we have access to more than 76% of the social housing stock through these types of agreements, and our focus now is on expanding geographically by establishing new client partnerships across the UK."*

## The LDC Relationship

LDC invested in Forrest in 2007 to support the company's long-term growth ambitions led by a new CEO and management team. Equity finance enabled geographical diversification, the acquisition of management and specialist expertise, the installation of modern ICT platforms to support operational teams, the expansion of vehicle fleets and also the acquisition of new premises. Forrest moved from Preston to Bolton, the location of new logistics and training centres.

The company recognises that 'private equity is predicated on sustainable future growth'. This growth ambition was achieved between 2007 and 2015, driven by Forrest's success in the framework-based social housing market environment. LDC is seen as being a 'hugely supportive partner' for Forrest.

## Social Value Created

Social value creation is intrinsic to Forrest as a business. CEO Lee McCarren comments:

*"There is a serious need to reduce the social housing shortfall across the UK, which is why it's encouraging to see a consortia forming to ensure that projects can be delivered quickly and efficiently."*

Within the frameworks, Forrest partner with registered housing providers, local authorities and other service providers that are helping to build 'sustainable communities'.

Through its housing and regeneration projects, Forrest contributes directly to local economic development. Its full-time workforce has reached nearly 550 people. Notably, it employs a relatively large number of apprentices and is strongly committed to training young people from the locality, as part of its Framework contract obligation. Around 80% of the apprentices Forrest trains (to NVQ level 2 and above) are employed by the company, the majority having been previously unemployed or outside the training-educational system ("NEETS"). Forrest has won national recognition for its workplace equality and diversity practices, including schemes for encouraging women and disabled people to work in the construction industry. The company states that "enforcing equality" is central to its business plan.

Forrest is developing a stronger national presence whilst maintaining its roots in the North of England. The company's staff complement is supported by offices in Bolton, Leeds and Gateshead. As such, Forrest is a private sector employer whose growth and geography are favourable to a more regionally balanced UK economy.



# Quantum Pharma plc ('Quantum')



Quantum manufactures and supplies 'special' medicines to wholesale and retail pharmacies, hospitals, and homecare and care home services throughout the UK. The company is located in Burnopfield, County Durham.

## Business Growth

Four ex-managers of the former Newcastle-based Eldon Laboratories set up Quantum Specials in 2004, and relocated the business from Tyne Metropolitan College (North Tyneside) to the village of Burnopfield within two years. Initially Quantum only supplied 'specials' to the wholesale pharmacy market.

A LDC-backed MBO in 2009 enabled Quantum to develop a successful diversification and 'buy and build' strategy. Acquisitions included UL Medicines, a leading supplier of unlicensed pharmaceutical imports and batch-made 'specials' to hospitals; and Protomed, developer of Biodose, a monitored dosage system for patients in care homes or in care at home. Quantum also developed its own advanced aseptic facility at Burnopfield (April 2013) and was granted an MHRA aseptic specials licence. These developments led to the formation of a new business unit. With 22,000 'special' and 'special obtain' products, Quantum has evolved into a one-stop shop for 'specials', a service business offering the widest range in the market and the fastest turnaround times.

Between 2009 and 2014 Quantum's revenues grew from £22 million to £54 million, and its workforce grew from 100 to over 300 people. Its market value increased by four times, with profitability growing by 91%. To progress to its next stage of growth, favoured by rising trends in NHS prescription spending on 'specials' medicines, Quantum listed on AIM in December 2014.

## The LDC Relationship

CEO Andrew Scaife believes that LDC's strategic and financial support has helped Quantum to become a leader in UK niche pharmaceuticals market for 'specials'. **Private equity investment**

**was needed to fund the scale-up of Quantum business and fuel acquisitions, as well as to help professionalise its operations and instil a growth mentality.** The LDC team *"...got our business model and had the right culture and personality that matched the business".*

Throughout its hold, LDC has been committed to helping Quantum Pharma achieve its growth strategy, via operational improvement, strategic support and by backing a number of significant acquisitions. The follow-on transactions have played an integral part in supporting the business as it builds scale and broadens its service offering.

## Social Value Created

High-growth SMEs in knowledge-based sectors such as pharmaceuticals have a particularly high social value to the North East regional economy. Andrew Scaife commented that Quantum was: *"...supportive of efforts to create a more balanced economy and keep manufacturing, which is a traditional industry in the North East, at the heart of the recovery."*

Quantum's management has a strong sense of responsibility for developing talent in the region given the North East's legacy of de-industrialisation and unemployment. Management has expressed its determination to stop local jobs being siphoned off to the South East. Quantum Pharma now employs more than 450 people at its County Durham base and five other sites, a significant increase from 100 people in 2009.

Quantum has 16 apprentices and provides NVQ level 2/3 training in Business and Administration and IT Telecommunications, most trainees finding permanent positions with the company. According to Andrew Scaife, *"the business takes the development of its employees seriously and recognises the importance of nurturing skills and talent not only to the business itself, but also to the economic health of the North East."*



## 5.2 Case Study Conclusions

The case studies show that private equity investment can deliver business growth in very different regions and can also meet the growth ambitions of business owners in very different sectors.

**All of the companies believe that geographical proximity – local-regional presence – was important to establishing a successful relationship with LDC,** both before and after the investment itself. The regular face-to-face contact that LDC's regional offices make possible clearly mattered to these companies. The case studies support the argument for building dynamic private

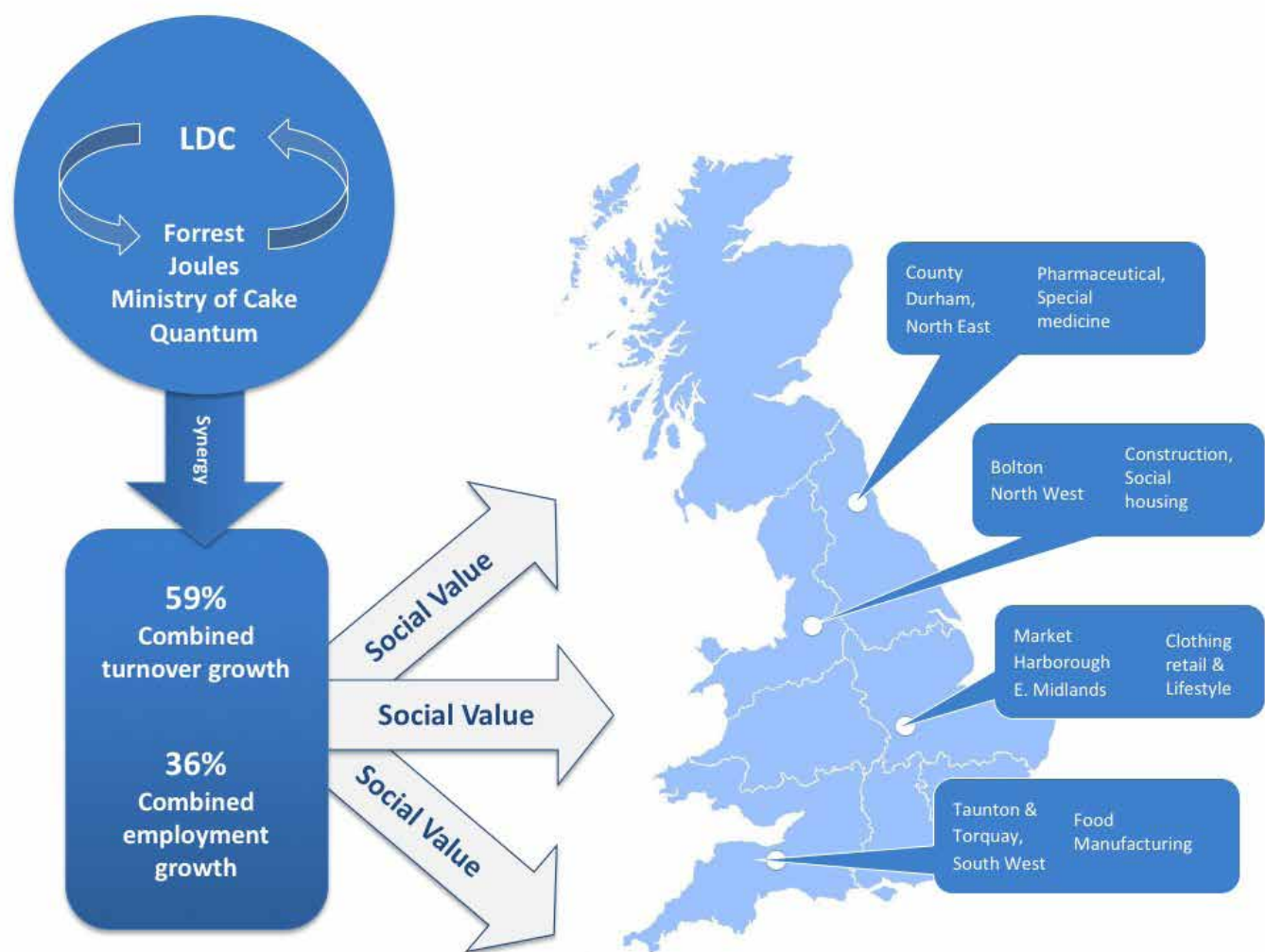
equity sectors in all regions of the UK as part of a coordinated approach to developing a 'balanced economy'. This policy prescription for the 'balanced economy' has been advanced by the RSA (see Section 2.2).

Inclusive job growth is a key feature of the 'balanced economy'. In this respect, the case studies make very positive reading, and take us further than the portfolio data analysis allows. Business growth has gone hand in hand with job growth, and at least UK-based job retention in the case of export-led growth. Importantly, job growth (and retention) in the businesses has been inclusive in terms of skill and

occupational diversity – ranging from office, factory and logistics jobs, graduate level and intermediate level vocational jobs, call centre and high street retail jobs, local and international jobs, and varied apprenticeships for young people. This socially-inclusive pattern of job growth in the businesses has come about directly because of the sector spread of LDC's private equity investments. And, because these businesses are located in different regions of the UK – reflecting the regional spread of LDC's investments – inclusive job growth will benefit local communities across the country.



Chart 5.1: From business growth to ‘balanced economy’ – Private Equity in Action



Business and job growth has come about through ‘buy and build’ (acquisition) strategies, investments in innovations and new technology, expanding into export markets and diversifying product ranges. As we have seen, LDC’s partnership with its investee businesses may take any and all of these various routes to growth. Developing the mid-sized business and wider SME sectors of the ‘balanced economy’ clearly requires considerable skill, judgement and understanding. **Success stories and best practice from the private equity investment sector, as presented here, have a definite social value in themselves as we search for effective ways of making the UK a ‘balanced economy’.**

## 6. Perspectives on the ‘Balanced Economy’

### Government

#### HM Treasury: Summer Budget, 2015

*“The UK was the fastest growing G7 economy in 2014, employment has reached record levels, and wages are rising above inflation. But the job is not yet done. The economy is still too unbalanced, and more needs to be done to build up the nations and regions of the UK, and to close the productivity gap between the north and south. This Budget sets out the action the government will take to ... secure a truly national recovery, by devolving powers and budgets to build a Northern Powerhouse, and create the right conditions for strong growth throughout the UK.”*

### Academic

#### Regional Studies Association: “Spatially Rebalancing the UK Economy”, March 2015

*“The scale of spatial economic imbalance in the UK has in fact been growing since the late-1970s, though it accelerated during the 1980s, and continued to increase in the 1990s and the debt driven boom of the first decade of the 2000s. The geography of spatial imbalance has frequently been broadly characterized as a ‘North-South Divide’. And while London lagged in terms of growth up to the beginning of the 1990s, it then underwent a dramatic ‘turnaround’ to become the fastest growing region in the country. The scale of spatial imbalance in the UK has increased faster than in other major European countries. The increase in the disparities in regional shares of GDP in the UK has far outstripped that in France, Spain, Italy, Germany and the United States.”*

### Business

#### Federation of Small Business (FSB), Manifesto for the 2015–20 Government, 2014

*“The global economic success of London is integral to the strength of the UK economy. However, the capital’s success is necessary but not sufficient. For sustainable and balanced economic growth, we need to utilise the breadth and depth of resources across the UK. The next Government’s economic and infrastructure plans need to explicitly support every nation and region of the UK, taking account of rural needs alongside urban requirements.”*

#### Confederation of British Industry (CBI), The UK’s Growth Landscape: Harnessing Private Sector Potential across the Country, 2012

*“Only sustainable, private sector growth can lead the UK back to economic health, weaning the economy off its debt-fuelled dependence on government and household consumption. This private sector growth must come from all corners of the UK if the economy is to successfully rebalance towards investment and exports and establish a sustainable growth footing. The view from business is that a new approach is needed, one based on the ‘geography of growth’, which seeks out private sector growth at every spatial level and in every part of the UK.”*

### Community

#### On Rock or Sand? Firm Foundations for Britain’s Future, edited by Archbishop of York John Sentamu, January 2015. Contribution by Archbishop of Canterbury Justin Welby:

*“Entire towns and regions have been excluded and trapped in an apparently inescapable economic downward spiral. Our economy appears to be, in one sense, a tale of two cities – one being a growing and constantly improving London (and the south-east generally), and the other being most, but not all, other cities, alike in that they are each trapped in apparently inevitable decline... The hard truth is that many of these cities are in what appear to be ‘lose-lose’ situations. Already in decline, the road towards recovery and growth is made even more difficult. There are now fewer readily available government resources able to support economic development in these regions; and also, since the 1980s, the banking system has become more and more London concentrated and consequently out of touch with local needs.”*

#### Youth Employment UK: “Regional Inequality – The End of An Era?”, Laurence Griffin, Youth Ambassador, 28th August 2015

*“The UK has become a ‘postcode lottery’, where your success in life is determined by where you are born. For instance, in many parts of North Yorkshire and Cumbria in North West England, you will find paid opportunities are scarce and youth services are lacking gravely. Currently, young people like me are being driven out of some communities, as there simply isn’t any opportunity for them. It is a fact for many young people, not just an excuse. But sometimes it is not always straightforward to move away (as I found out); in my view you still need a family/friendship circle around you. I believe acknowledging the problem is a first important step when wanting to address the issue of regional inequality, the underlying causes (the sense of community) and how it affects young people.”*

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