

Coming to the UK

Considerations and Finding Investment Partners

16th October 2013



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CE Capital was founded by people who understand Central and Eastern Europe, and focuses on finding investors for good businesses there...



Our Business

- Providing strategy support and introductions to equity investors
- We are based in the heart of the City of London
- We offer a customised service to companies seeking advice, finance, or strategic partners based in the UK and other selected locations – or otherwise seeking to locate part of their business in the UK
- Our main focus is working for high-quality companies in CEE who have great potential, but just need more sources of investment or a strategic partner

Our Differentiator

- Integrated investor introduction and Advisory business
- Our focus is exclusively on supporting quality Central and Eastern European companies
- We have a ready network of potential investors in London waiting to be introduced
- We offer a bespoke, personal service; which is individually tailored to the needs of each client
- We provide excellent value for money

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- **Why Come to the UK?**
- The Funding and Grant Community
- The London Stock Exchange - AIM
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Why Come to the UK - General?

- Internet-based economy worth €150bn in 2010 (8.3% of GDP)
- If the digital economy was a “traditional” sector it would be bigger than UK construction, education and utilities ** *(source Boston Consulting Group Report – March 2012)*
- Ability to start a new company in 24 hours – “light touch regulation”
- Excellent Eco-system for tech/biotech companies and wide selection of grants available
- Patent Box scheme (lowering tax for patent exploitation)
- Transparency and Connections based on merit

The UK provides an excellent location for tech and bio-tech companies to flourish!

Why Come to the UK - Tax?

- Corporation tax reducing 1%/year from 24% to 20% by 2015
- Entrepreneurs Relief scheme allows 10% tax on qualifying company sale up to £10m
- R+D Tax Credits – increased to 225% for employees with less than 500 people
- EMI Option scheme – tax favoured to allow your employees to get share options
- New High Growth Segment of the London Stock Exchange (LSE)

"Although the tax rates could be a couple of % less predictability and stability make up for this"

Why should Tech Companies consider Tech City when coming to the UK?

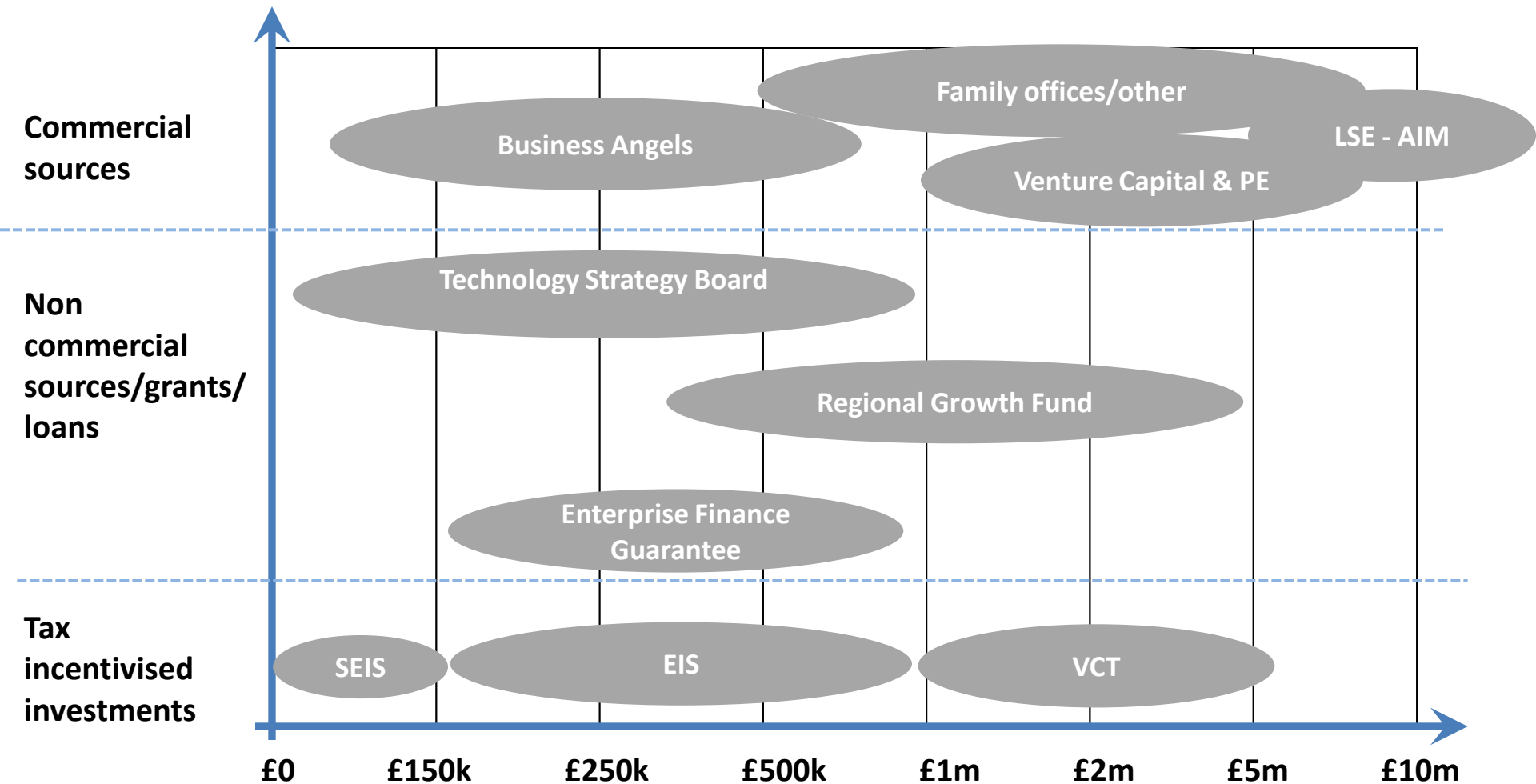
- Over 1300 Digital Companies in the area
- Start ups, Growing Companies and established brands (CISCO, AMAZON, GOOGLE etc)
- EMI Option scheme – tax favoured to allow your employees to get share options
- Fully of useful funding options – and costs are relatively low



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Funding and Grant Community



Tax considerations for companies and investors.....

Seed Enterprise Investment Scheme



- Early stage government investment scheme
- 50% marginal relief of the cost of shares (regardless of tax rate)
- Investor cannot control the company (<30%)
- No Capital Gains tax after 3 years
- Business must be a UK company having a permanent base in the UK
- Overall maximum of £150,000 SEIS – fewer than 25 employees and assets of up to £200K

Enterprise Investment Scheme



- 30% income tax relief
- Investment of up to £1,000,000 per year
- Investor cannot control the company (<30%)
- No Capital Gains tax after 3 years
- Business must be a UK company having a permanent base in the UK
- Assets must be less than £15m before investment and less than 250 employees

Venture Capital & Private Equity

Description

- Often best for 2nd or 3rd round funding
- £500K is usually the lowest entry point – although £10m - £50+ is much more usual
- Many operate in conjunction with Business Angels and also with US/European counterparts
- Most operate in specific areas of expertise
- Use them for their experience – and if possible look for a competition between them (our clients will typically pitch to at least 20 before finalising any deal)
- Be realistic in the plans you sign up to – there will be lots of restrictions and interventions possible if things go wrong
- Good News – too much money – too few deals – money has to be spent!!

Example of some investors who we know



VCT

Description

- Venture Capital Trusts use EIS and SEIS rules to attract investors
- There are maximum rules for the % focus on one company and the total investment per company
- It is a very well-known way for individuals to invest in smaller high-growth companies

Example of some investors who we know

wellingtonpartners
VENTURE CAPITAL


OCTOPUS
INVESTMENTS

Balderton.
capital

Advent
Venture Partners

sep
Scottish
Equity Partners

 **FIDELITY**
GROWTH PARTNERS
EUROPE

Family offices/Sovereign Wealth Funds

Description

- Family offices are in some ways “business angels with very deep pockets”
- They represent families with considerable wealth and are an attractive and lower cost way to invest that wealth in line with the family’s risk profile and expertise/areas of comfort.
- Typical investments are £5m upwards – and in many cases the funds have a part that are quoted on the Stock Exchange
- Sovereign Wealth Funds have even deeper pockets and are often aligned to the interests of that country (especially Asia)

Players



SANDAIRE



Northern Trust

KIA

Kuwait Investment Authority

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London
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Raising Capital for Growth – London's Offer



London
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Why list on LSE



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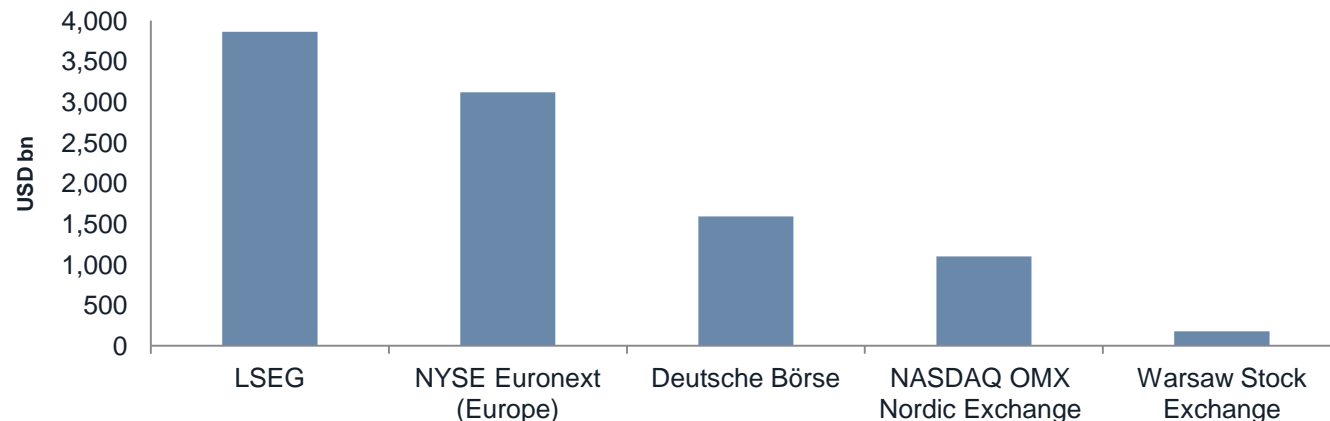
- Access to deepest pool of international capital in the world
- Proven level of sustained liquidity
- Access to incremental sell-side research coverage
- An exit route for earlier stage investors
- Ability to incentivise key employees' commitment
- Significantly enhance profile & visibility, particularly with customers & suppliers
- Currency to fund business acquisitions & expand into new markets

The largest and the most liquid equity market in Europe



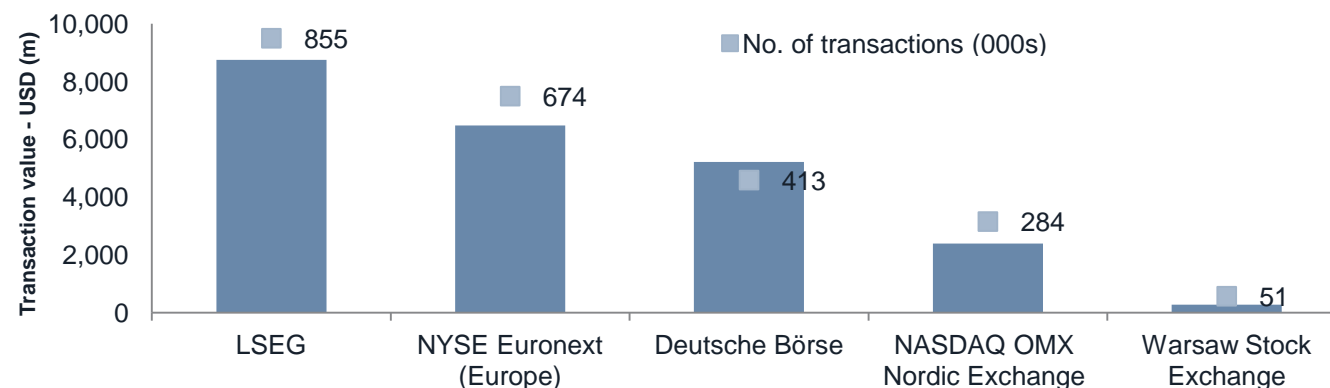
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Domestic market capitalisation



- Close to 2,500 companies share an aggregate market cap of around USD 6.5 trillion
- Close to 600 international companies with aggregate market cap of around USD 3 trillion*

Daily traded value and number of transactions



- Over 500 member firms have access to our trading systems
- As of September 2013, on average about USD 9bn worth of shares were traded daily on the LSEG's markets, more than any other exchange in Europe

Source: World Federation of Exchanges, end of September 2013

*by country of incorporation



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Stock Exchange

London's investment pool

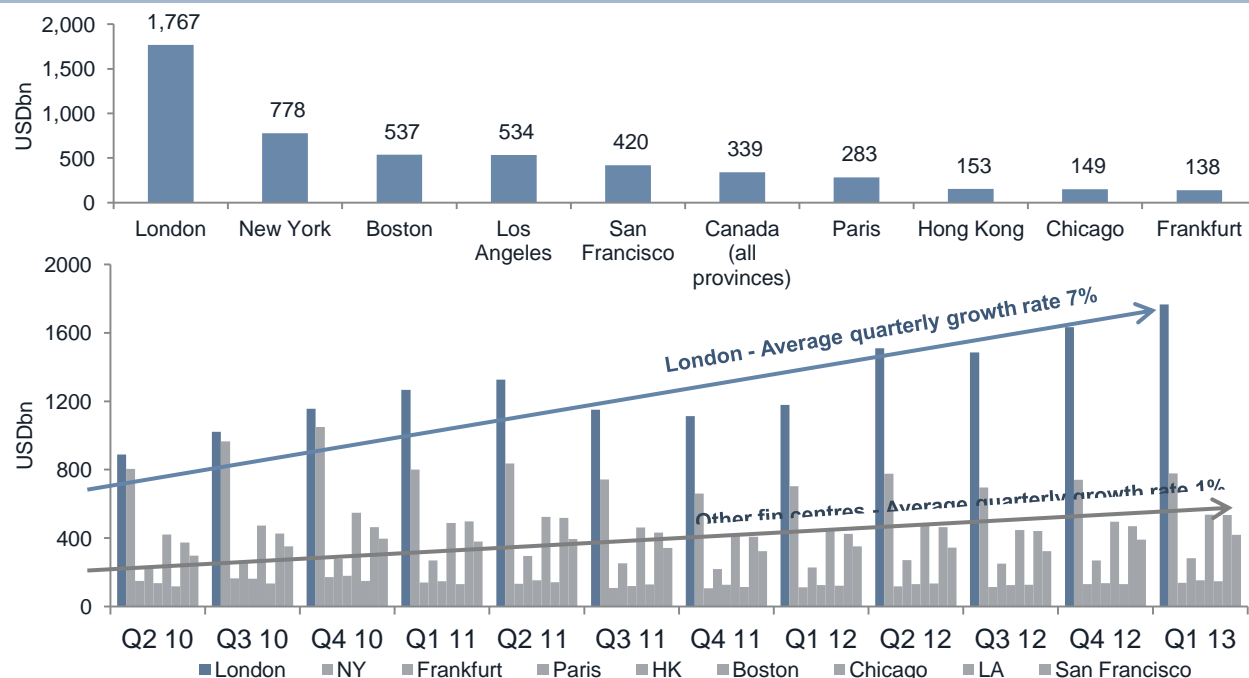
The World's most international investors community



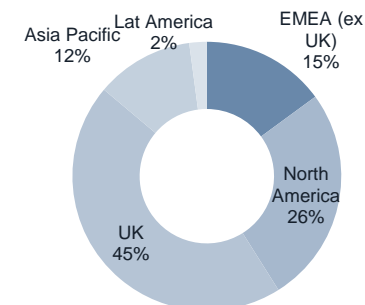
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London remains the largest international investment centre globally. Over the past two years UK investors increased their equity allocations in international equity by an average of 7% per quarter. Over Q2 2013 North American investors have reduced their exposure to international assets, their holdings of North America stock went from 77% to 82%, while in the same period UK investors have increased holdings of North American (+5%) and Asia Pacific (+1%) equities.

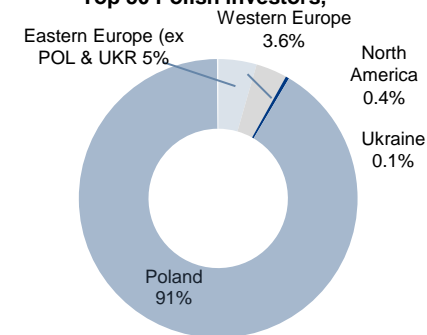
International equity investment under management by financial centre Q2 2013



Top 50 UK investors' holdings, by region (as at end Q2)



Top 50 Polish investors,



London investors are uniquely international in their outlook

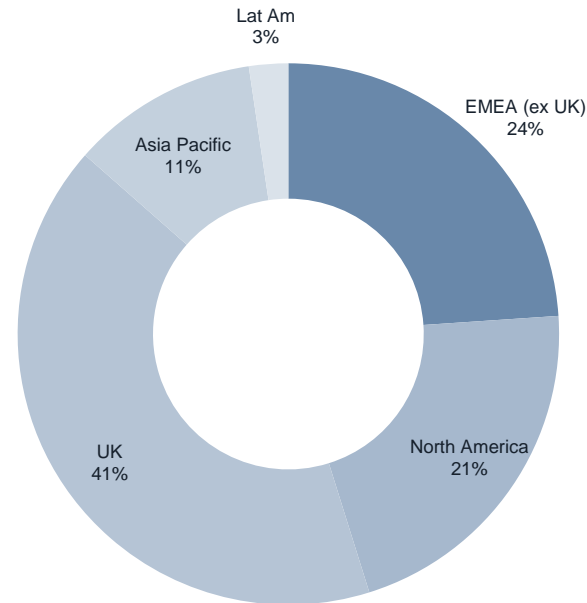


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Investor portfolio geographic breakdown

- London, more than any other financial centre, offers a long-standing globally oriented investor base
- UK investors have international portfolios and often support companies in their development
 - Institutional investors in the other major listing venues tend to be more domestically focused
- Global investment portfolios ensure that investors appropriately value businesses with a global profile and aspirations

Top 50 UK investors' holdings, by region



London is international home for many companies across the region



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Stock Exchange

	Number of companies	Examples of Listings
CEE	34 AIM - 20 Main Market - 12	 
Turkey	11 AIM - 5 Main Market - 6	    
CIS	48 AIM - 29 Main Market - 19	   
RUSSIA	68 AIM - 16 Main Market - 52	   

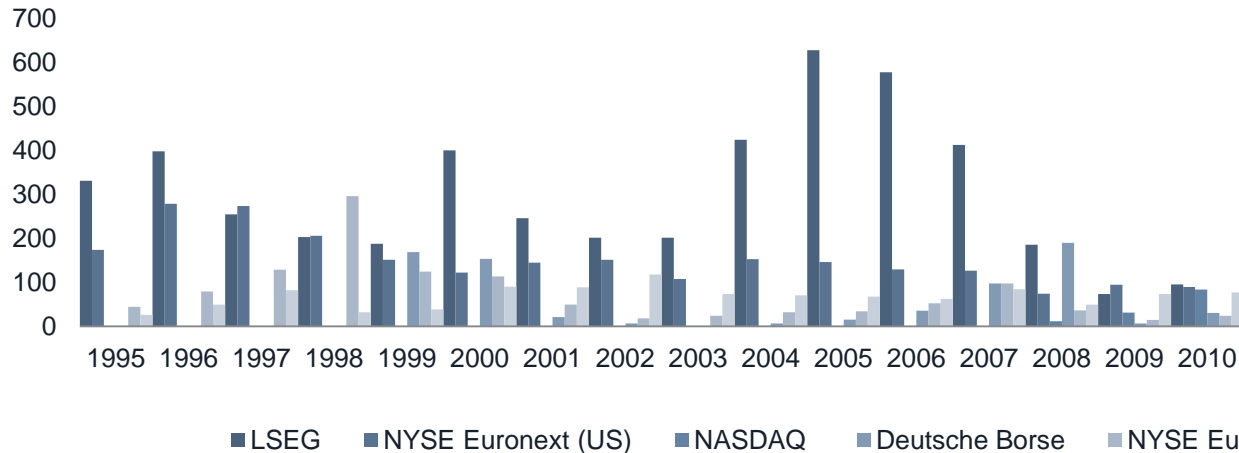


The venue of choice for companies conducting an IPO

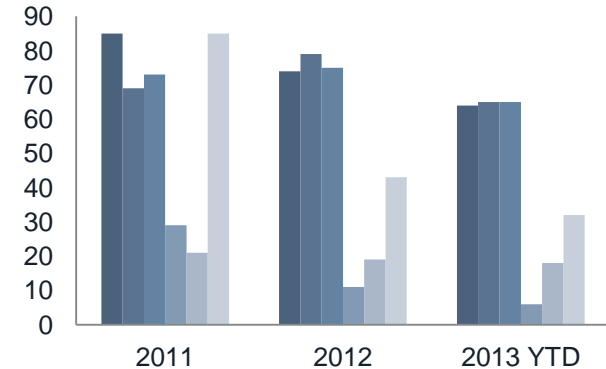


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Number of IPOs by listing venue, 1995-2010...



...and in 2011-YTD 2013



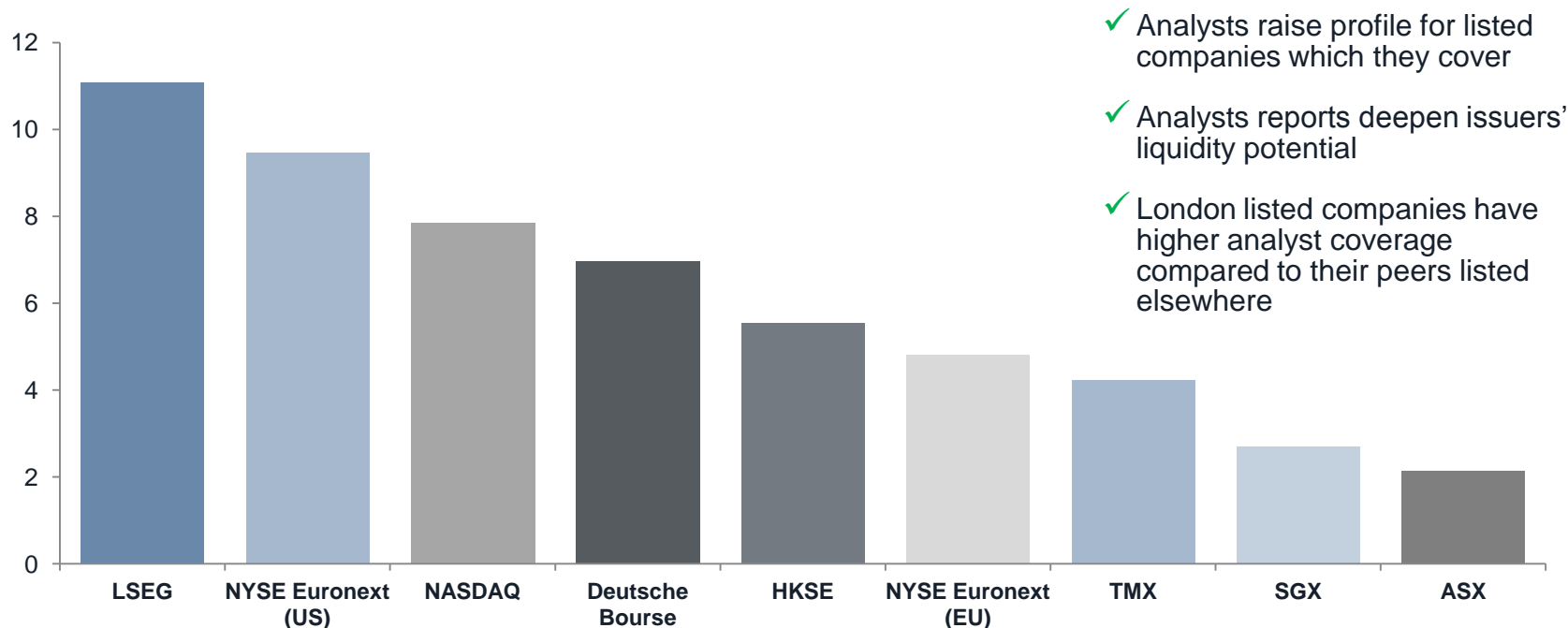
London Stock Exchange has become the listing venue of choice due to:

- Internationally minded investor community
- Unique concentration of advisors with experience in listing companies
- Robust and balanced regulation
- Peer group in a diverse range of sectors
- Unparalleled profile and prestige
- Widest choice of market and listing routes

Enhanced analyst coverage across all sectors

A London listing provides for the largest average analyst exposure compared to any other financial centre

Average number of analyst recommendations following listed companies, by listing venue



London: a home for growing and innovative companies



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Stock Exchange

Sector	AIM	Main Market
Electronic & Electrical Equipment	33	19
Fixed Line Telecommunications	4	17
Health Care Equipment & Services	28	11
Mobile Telecommunications	8	9
Pharmaceuticals & Biotechnology	38	18
Software & Computer Services	89	26
Tech Hardware & Equipment	18	21
Total	218	121
Total market cap (\$m)	19,645	1,149,637

- There are currently 339 companies in automatically qualifying tech sectors worth a combined £731bn.
- Recent IPOs have been from innovative, fast growing companies including the likes of: CentralNic (\$11m), Outsourcery plc, (\$18m) Cambridge Cognition Holdings (\$18m), Cloudtag (\$2m), Starcom (\$3m), Wandisco (\$24m), Fusionex (\$18m) and Kada Tech (\$2m).

Latest Growth & Innovation driven Admissions



SEP 2013



AUG 2013



JUL 2013



Market cap profile of technology companies on our markets

	Market cap band		
	\$0-150m	\$150-800m	\$800m +
AIM	187	28	3
Main Market	38	21	62

Figures do not include PSM and SFM. August 2013. Based on country of domicile. Source: London Stock Exchange statistics.



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Market activity 2013

London – a vibrant capital market

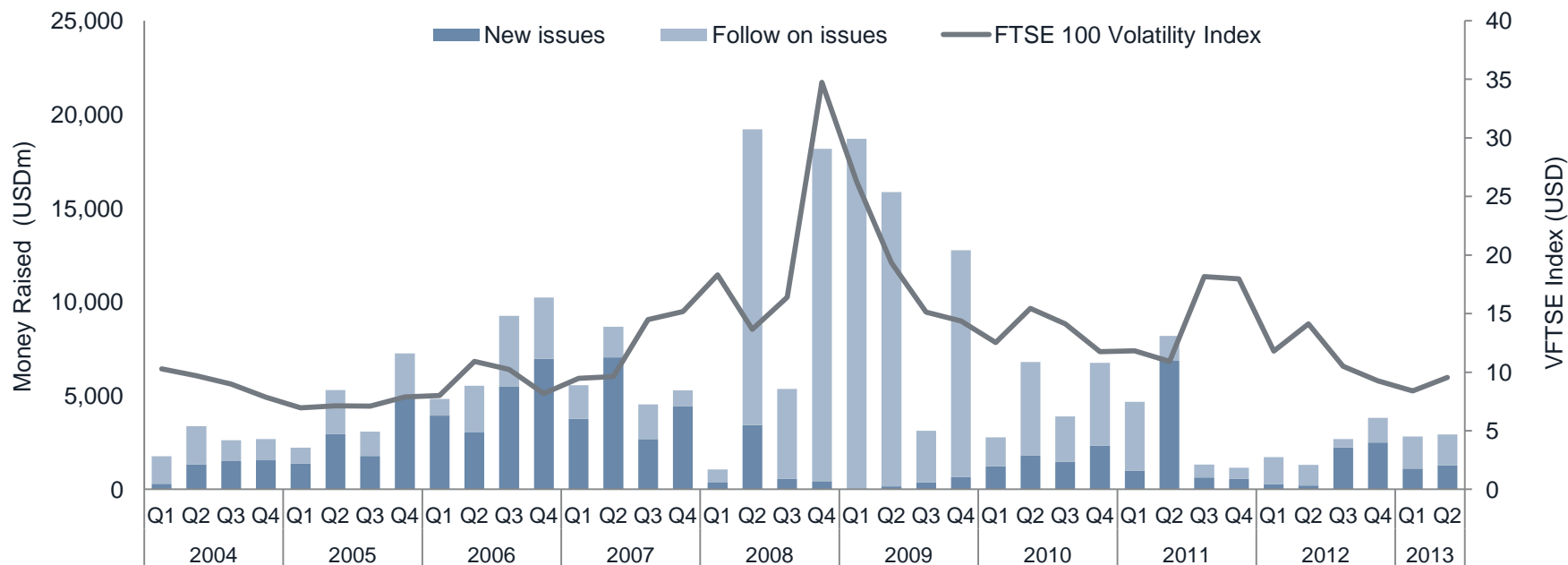


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Number of IPOs	2012	2013 YTD
Main Market	24	20
AIM	43	33
Total	67	53

Money raised at IPOs (USDm)	2012	2013 YTD
Main Market	11,717	6,661
AIM	1,131	848
Total	12,848	7,509

Follow on Issues (USDm)	2012	2013 YTD
Main Market	6,539	7,258
AIM	3,918	2,165
Total	10,458	9,422



Source: Bloomberg and LSEG database Sell downs are not included.



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Case studies

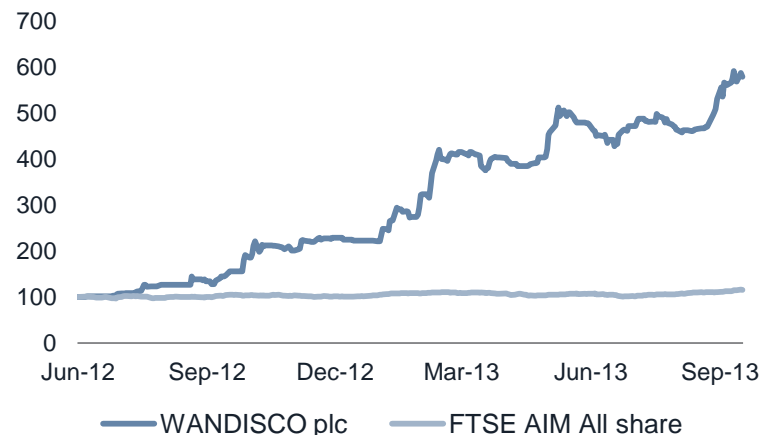
Case Study: WANDisco



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Company Details	
Company	WANDisco plc
Market	AIM
Sector	Software & Computer Services
Trading system	SETSqx
Ticker	WAND
Country of incorporation	UK

Transaction Details	
Admission date:	1 June 2012
Money raised at admission	\$23m
Market cap at admission	\$56m
Current Market cap	\$310m
Nominated Adviser and Broker	Panmure Gordon



Company profile

- WANDisco is a leading provider of global collaboration software to the software development industry. The company is headquartered in Sheffield, UK, with significant operations in Silicon Valley, California
- WANDisco's differentiated patent-pending technology, the Distributed Coordinated Engine, provides a cost-effective method to maintain continued synchronisation between geographically distributed servers. This technology in conjunction with "Subversion", an open source version control system, allows software developers at globally distributed sites to access the same program data at all times.
- Revenue increased by 30%, from USD3.0 m in 2010 to \$3.9million in 2011

Listing story

- WANDisco's IPO was almost four times oversubscribed
- WANDisco plc planned to use the net proceeds of the placing on opening an office in China, further product development, reducing current level of provisions and other payables and potentially on complementary technology acquisitions

Leading Investors	Value held \$m
Cazenove Capital Management Ltd.	25.0
Legal & General Investment Management	18.6
BlackRock Investment Management (UK)	8.1
Hargreave Hale Ltd.	7.1
Artemis Investment Management LLP	7.1
M&G Investment Management Ltd.	6.9
Octopus Investments Ltd.	6.6
Old Mutual Global Investors (UK) Ltd.	4.2
J.O. Hambro Capital Management Ltd.	3.6
Ecclesiastical Management Services Ltd.	3.0

Source: Bloomberg and LSE Trading data, September 2013

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