

A stylized white floral graphic on a dark blue background. The graphic consists of a central teal hexagon containing the text 'proven IN 2020'. The hexagon is surrounded by white outlines of leaves and a stem with small circular fruits. The text 'proven' is in a lowercase sans-serif font, underlined, and 'IN 2020' is in an uppercase sans-serif font.

proven
IN 2020

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BERINGEA

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proven

Since foundation in 2000 and 2001, the ProVen Venture Capital Trusts have invested in the growth of entrepreneurial businesses, supporting their ambition and success in the UK and internationally.

With the support of their shareholders, the ProVen VCTs today contribute significantly to the rise of innovative technologies such as data analytics and software, as well as the emergence of global digital industries such as esports and fintech.

This report provides insights into the portfolio and performance of the ProVen VCTs in 2020.

ProVen in 2020: Key Milestones

FUNDS INVESTED
IN YTD 2020

£26.0m



TOTAL FUNDS UNDER
MANAGEMENT*

£239.7m



FUNDS RAISED

£28.4m

NEW INVESTMENTS

SECOND
NATURE



EDITED



Commonplace

LUXURY
PROMISE.



THE
SOCIAL
VALUE
PORTAL

PROVEN PORTFOLIO
COMPANIES
FEATURED IN THE
TECH TRACK 100

TOTAL DIVIDENDS PAID**

PVN: 4.0p

PGI: 3.25p



PAPIER



ContactEngine



*As at 31 August 2020

**Dividends paid for financial year ending February 2020

The View from Beringea



Malcolm Moss
Founding Partner

'Unprecedented' has been the cliché of the pandemic. And yet, the ProVen VCTs have weathered several recessions during their twenty-year history and the precedents set by these turbulent periods have proved invaluable as we have reacted and adapted to a world shaped by coronavirus.

At Beringea, we organised a rapid response to the outbreak of COVID-19 and established a weekly series of virtual 'huddles' with leadership teams of ProVen portfolio companies. The focus of these sessions ranged from how to access Government support schemes to managing finances and motivating workforces through an extended period of lockdown.

Inevitably, there have been write-downs in the portfolio due to the impact of a global downturn. The portfolio has, however, demonstrated its resilience. A limited exposure to sectors such as hospitality and travel that have been acutely hit has also proved advantageous, while a substantial number of digital businesses in the portfolio, particularly online retailers, have benefited during the lockdown.

The strength of the cash position of the ProVen VCTs has also enabled the funds to support those businesses impacted by the pandemic that we feel have demonstrated the resilience and leadership to recover strongly when we emerge from this downturn.



Mike Gibbs and Chris Edson
Co-Founders of Second Nature

We are also seeing plenty of opportunities to expand the portfolio, particularly in sectors that have benefited from the new habits and trends fuelled by the pandemic.

As we look to the future, it is clear that ongoing lockdowns will hasten the decline of high-street retail and accelerate the rise of e-commerce. With vast swathes of the population working from home, we will see commercial landlords forced to adapt and provide flexible terms and improved facilities. We also expect online retailers focused on DIY, home improvement, and furniture - including MYCS in the ProVen portfolio - to benefit as the remote workforce becomes tired of staring at the same four walls every day.



Mike Saunders and David Janner-Klausner
Co-Founders of Commonplace

Over the coming year, there will be an increase in consumers spending locally – staycations will be the norm for a while yet – and there will be a renewed focus on wellness and healthcare. Second Nature, a recent addition to the ProVen portfolio, has already seen an increase in sign-ups for its digital weight-loss programme as people look to improve their health and wellbeing. Bikes, scooters, and exercise programmes will be the order of the day for many consumers.

There will, nonetheless, be choppy waters ahead. Brexit will rear its head again – not only will tariffs and a strong Euro force importers to look further afield for products and services, a potential hit to the economy will compound the necessity of higher taxes as we emerge from the pandemic.

We believe that our portfolio has demonstrated the resilience and agility required to weather these storms. Having kept plenty of powder dry, we also feel that the ProVen VCTs could stand to benefit from the inevitable thinning of competition and declining valuations that result from this recession. Downturns have often provided vintage returns and, with the seeds of recovery emerging, the VCTs provide a tax-efficient way to participate in this potential uplift as we begin life after the pandemic.

Our portfolio has demonstrated the resilience and agility required to weather these storms.



MYCS Showroom, Berlin

The View from ProVen



Neal Ransome
Chair of ProVen VCT

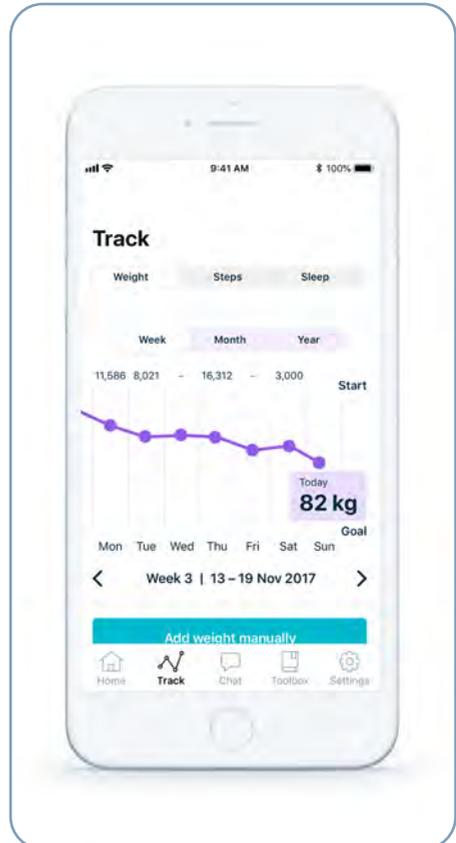


Marc Vlessing OBE
Chair of PGI VCT

ProVen VCT and ProVen Growth and Income VCT were founded in 2000 and 2001 respectively. Upon launching, both VCTs were faced with an economy reeling from the impact of the dotcom bubble. And yet – in spite of the initial headwinds – the ProVen VCTs have since scaled to manage almost £240m and a portfolio of more than 40 early-stage companies spanning software and retail, healthcare and AI.

It is our job to ensure that the ProVen VCTs navigate the inevitable peaks and troughs of economic cycles while protecting long-term value for our shareholders. It has, therefore, proved vital this year to call upon the breadth of expertise that sits across the boards of the ProVen VCTs, particularly knowledge of other historic downturns.

Drawing upon experiences of previous recessions has also enabled Beringea – the manager of the ProVen VCTs – to assist entrepreneurs as they have tackled problems of leadership, strategy and operations over the past nine months. This report demonstrates the scale and complexity of these challenges, while also providing insight into the agility and innovation that has enabled the ProVen portfolio to navigate the uncertainty of a global pandemic.



Second Nature
Digital Weight-Loss Programme

It has clearly been an arduous period for many industries. From retail to travel, hospitality and entertainment, there have unfortunately been significant casualties during this downturn. The relative lack of exposure of the ProVen VCTs to these industries has proved vital to the resilience shown by the portfolio, and the strength of the companies backed by ProVen in technology-led sectors can provide the foundations for growth over the coming years.

The perspectives shared by the entrepreneurs in this report highlight the nimble leadership that can underpin the success of early-stage businesses, and there are also insights into the technologies and trends that could fuel the economic recovery as we emerge from the pandemic. Online retail is now the cornerstone of our consumer sector, sustainability and the circular economy appear to be fertile ground for entrepreneurship, while a renewed focus on health and wellbeing could foster successful businesses over the next decade.

It is, therefore, vital that the ProVen VCTs have remained operational in 2020, capable of deploying funds to harness investment opportunities and support the existing portfolio. The new additions to the portfolio in 2020 – Second Nature, Luxury Promise, EDITED, Commonplace and Social Value Portal – are

testament to the changes that Beringea has made to the investment process to ensure that the ProVen VCTs can continue to invest throughout extended periods of lockdown.

There are, nonetheless, obstacles to overcome in the coming months. The departure of the UK from the European Union looms upon the horizon, and it appears likely there will be further turmoil as we continue to grapple with the impact of coronavirus on our healthcare system and our economy. And yet, we are brought comfort by the strength shown by the portfolio in 2020.

Many great companies are forged in the depths of a recession. The lessons learned over the past nine months will put the ProVen VCTs in good stead as we seek to build for the future.

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It has proved vital this year to call upon the breadth of expertise that sits across the boards of the ProVen VCTs.

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Additions to the ProVen Portfolio in 2020

Second Nature

Second Nature is a digital habit change programme, providing people with nutritional advice and tracking technology to help them lose weight, sustain weight-loss and manage diabetes.



Chris Edson
Co-Founder & CEO

**SECOND
NATURE**

Amount invested:
£4,000,000

EDITED

EDITED provides retail data and analytics to global brands and retailers, enabling the likes of Zara, John Lewis and Tommy Hilfiger to make better pricing and merchandising decisions.



Julia Fowler & Geoff Watts
Co-Founders

 **EDITED**

Amount invested:
£3,000,000

Luxury Promise

Luxury Promise is a marketplace for pre-owned luxury handbags and accessories. Its resale platform features brands including Hermes, Chanel, Louis Vuitton and Van Cleef.



Sabrina Sadiq
Founder & CEO

**LUXURY
PROMISE.**

Amount invested:
£2,700,000

Commonplace

Commonplace is a digital community engagement platform. Its software is used by property developers, local authorities and communities to gather insights on changes to public space.



Mike Saunders

Co-Founder & CEO



Commonplace

Amount invested:

£3,000,000

Social Value Portal

Social Value Portal is a platform for measuring, monitoring and analysing social impact. Its technology is used by public and private organisations to understand their social value.



Guy Battle

Founder & CEO



**THE
SOCIAL
VALUE
PORTAL**

Amount invested:

£3,000,000

Adapting to the Pandemic:

Lessons from the Portfolio

“We had to throw every plan out of the window.” Kieran O’Neill, co-founder and CEO of Thread, an online retailer backed by the ProVen funds, characterised the stark situation facing many businesses at the outset of the pandemic.

For the investors and entrepreneurs guiding the ProVen portfolio, it has been a year marked by uncertainty and disruption. In this turbulent environment, however, we have witnessed a remarkable ability to adapt. From thoughtful leadership to agile innovation, there are countless examples of how businesses backed by ProVen have adapted to thrive in the world of the pandemic.

In this chapter, the investors at Beringea as well as the founders and CEOs leading the ProVen portfolio companies provide insights into how they have adapted over the past six months and how they are preparing for the future.

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“ We had to map out a huge range of scenarios to ensure we could weather the worst while maintaing flexibility to capitalise on future opportunities.



Karen McCormick
Chief Investment Officer



Kieran O’Neill
Co-Founder and CEO of Thread

> Planning for Uncertainty

As news of a rapidly spreading coronavirus began to emerge from Asia, the investors at Beringea began working alongside leadership teams throughout the ProVen portfolio to understand the potential impact of a widespread pandemic.

This involved attempting to project a range of scenarios that could unfold over the coming months, analysing the commercial disruption to supply chains and operations, and modelling the financial implications of an economic downturn.

As Karen McCormick, Chief Investment Officer of Beringea, comments, “we had to map out a huge range of scenarios to ensure we could weather the worst while maintaining flexibility to capitalise on future opportunities.”

As the pandemic took hold in Europe in March, the impact became clear. "Everyone was in the same position, as both consumers and businesses pulled back," commented Matt Barker, founder and CEO of MPB, the marketplace for pre-owned photography and videography gear. "Everything fell by 50 per cent, both supply and demand, and throughout our core markets in the US, UK and Germany."

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"How do you keep employees motivated when you can't be in the same room together to rally around a shared goal?"



Anastasia Leng
Founder and CEO of CreativeX

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Beringea implemented a weekly virtual 'huddle' with the leadership teams of ProVen portfolio companies, discussing topics ranging from employee motivation and cutting spending to accessing government subsidies, flexible working, and, in some instances, making redundancies.

Businesses were then able to plan and adapt. As Kieran O'Neill notes, "this type of complex scenario planning and forecasting was a new skill for the business – and luckily it has ended up playing out better than we thought."

> Leading in a Remote World

As companies adapted to a world shaped by the pandemic, leaders had to implement new ways of working. An initial challenge was the shift to remote working, which required different styles of communication. Anastasia Leng, founder and CEO of CreativeX, identified the problem: "how do you keep employees motivated when you can't be in the same room together to rally around a shared goal?"

Kieran O'Neill comments: "I switched to talking to the team weekly and sharing openly the good and the bad – It has been incredibly important to retain that dialogue."

"It was a total overhaul of how I tended to lead," noted Matt Barker. "I am normally in meetings or walking from desk to desk in order to get to know my team. Now, we bring people together over Zoom – overcommunicating, if anything, to maintain the bonds between people."

Remote working also required a shift in culture and management strategies. This was highlighted by Michal Magdziarz, co-founder and CEO of DeepCrawl, a software platform for analysing and improving the technical performance of websites: "the DeepCrawl culture was always based upon personal interactions; we would learn a lot by receiving feedback from different people across different departments."

Adapting to the Pandemic:

Lessons from the Portfolio

Michal and the leadership at DeepCrawl also recognised that creating autonomy and accountability among their employees would improve the performance of remote teams: “the pandemic confirmed that creating autonomous teams and providing people with accountability, offering them the freedom to shine, and enabling them to develop individual functions is the correct approach.”

Kieran similarly highlighted the success of creating autonomy throughout Thread: “we have tried to think about how we create self-controlled teams, as teams with a clear goal and resources to deliver on it have performed well.” This focus has enabled Thread to successfully launch its womenswear platform during lockdown.

> Building for the Future

The resilience and agility shown by the ProVen portfolio has ensured that Thread is not alone in building for the future. A significant proportion of the online retailers backed by ProVen are taking greater market share as established competitors with retail stores struggle to adapt.

“We initially paused investment and controlled our marketing spend; we soon ratcheted that spend back up and decided to remain present in our advertising. As our competitors pulled back further – often due to managing physical retail – we were able to push on,” notes Matt

Barker of MPB, which is targeting the launch of its German operations by the end of 2020.

Entrepreneurs have also recognised the need to remain focused on long-term objectives in spite of the immediate impact of the pandemic. Chris Edson, co-founder and CEO of Second Nature, a digital programme for weight-loss and diabetes management, comments: “In the early days of COVID-19, we felt compelled to make substantial changes to our product as a result of the ‘new normal’. After a month, I realised we would return to normality, so we’d better be ready for that – and not have wasted six months adapting things that are not relevant for achieving our mission.”



Matt Barker
Founder and CEO of MPB

“Uncertainty is often harder than poor trading, as we can adjust for the latter. While uncertainty still reigns heavy, we have been impressed by how well our portfolio leaders have adapted to having to plan for multiple scenarios almost weekly, continuing to survive and even thrive,” concludes Karen McCormick.

Growth Sectors and Technology Trends

The pandemic has triggered seismic shifts in the global economy. A world shaped by social distancing and extended periods of imposed lockdown has forced many businesses to the brink. And yet, the constraints of COVID-19 have also fuelled the growth of many sectors and technologies.

In this chapter, we examine how this year has shaped the behaviour of businesses and consumers, how these habits have accelerated the rise of global industries, and how the ProVen portfolio has sought to grasp the market opportunities that have emerged during this period.

> The rise of e-commerce and pandemic pastimes

"We've witnessed huge e-commerce growth in 2020: Google has reported that e-commerce has seen more growth in eight months than it had seen in the previous eight years," commented Daniel Price, co-founder of My 1st Years, the personalised children's brand. The adoption of digital platforms and online retail has been accelerated by the pandemic, and it has created many opportunities for technology-enabled businesses.

As nationwide lockdowns led to the closure of physical retail in April and May, many consumers were forced to turn to online outlets. According to ONS data, more than half of all sales of household goods were made

online in April, while a third of all retail sales were online in May. Businesses that were able to service this demand flourished.



Taymoor Atighetchi
Founder and CEO of Papier

The ProVen portfolio has a healthy contingent of online retailers, from My 1st Years to MPB, Papier and MYCS. These businesses harnessed the lack of bricks-and-mortar retail, while also adapting their marketing and product to serve the habits and needs of consumers during coronavirus. Hobbies and home improvement, for example, rose to the top of the agenda.

The world of lockdown also provided consumers with far more time to pick up new pastimes. MPB, a marketplace specialising in gear for photography and videography, saw a spike in activity: "in our case, we saw people trying to engage with their passions, using photographic kit more and seeking to buy new products to support their hobby," commented Matt Barker, founder and CEO.

Growth Sectors and Technology Trends

Remote working also created an inevitable shift in the apparel market, as Kieran O’Neill, co-founder and CEO of Thread, commented: “we saw a shift away from suits and shirts to sweatpants and hoodies, so we adapted to feature loungewear more prominently and we set up a section on our platform for working at home.”

Early-stage companies have also benefitted from the agility to adapt to a new trading environment. Sabrina Sadiq, founder and CEO of Luxury Promise, a marketplace for pre-owned luxury goods, noted that “the pandemic has forced us to accelerate our transition from an offline to an online business.” Larger competitors, particularly bricks-and-mortar retailers, have struggled to keep pace.

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“The work-from-home genie is out of the bottle and there’s no going back – people are working flexibly, and we will see distributed workforces spanning the entire globe.”



Eyal Malinger
Investment Director, Beringea

> Digital transformation and remote collaboration

The shift to digital has not been restricted to retail. Businesses around the world have been forced to accelerate their adoption of digital tools, particularly solutions focused on remote collaboration. As Michal Magdziarz of DeepCrawl comments, “the vast majority of software developers globally have entered remote or hybrid working models – this requires new tools and ways of working.”

Several software businesses in the ProVen portfolio have harnessed this shift: DeepCrawl has built specialist tools for remote developers to analyse website performance; Zoovu has scaled its platform of ‘digital assistants’ to guide users through decisions; and ContactEngine has been used widely by telecoms giants to improve customer engagement across digital platforms.

There have, nonetheless, been challenges for early-stage software businesses that typically sell to corporates. These barriers were highlighted by Anastasia Leng, founder and CEO of CreativeX, an analytics platform used by creative teams in global brands and advertising agencies: “our customers have been impacted by the economic headwinds of the pandemic – they are applying much more scrutiny to any contract that they are signing with new technology vendors.”

And yet, there remain vast opportunities for companies that can enable corporates to keep pace with a rapidly changing world of work. As Eyal Malinger, Investment Director at Beringea, notes, “the work-from-home genie is out of the bottle and there’s no going back – people are working flexibly, and we will see distributed workforces spanning the entire globe. Businesses will need new modes of collaboration that go beyond Zoom calls.”



Sabrina Sadiq
Founder and CEO of Luxury Promise

> The lasting impact: sustainability and wellbeing

The pandemic has not only changed the way that we work. It has led to fundamental shifts in how we understand the world that we live in – lives and livelihoods threatened, skies emptied of air traffic, and a disease ravaging the aged and the unwell will have a lasting impact on how we choose to spend our time and money.

As Sabrina Sadiq of Luxury Promise comments, “COVID-19 has taught us about our impact

on the world, and the people around us.”

This has created a groundswell of support among businesses and consumers for the sustainability agenda, and it will create substantial opportunities for innovation and investment.

Matt Barker of MPB highlights that “re-use, circularity, and what consumers can do to adopt and purchase second-hand products will be a worldwide conversation shaping everything from fashion to hobby markets.” Both MPB and Luxury Promise provide a vital platform for consumers to extend the lives of products and buy more sustainably, and there will be entrepreneurs seeking to apply these business models to other products and industries.

Coronavirus has also caused many consumers to reflect on their health and wellbeing. As Chris Edson of Second Nature notes, “consumers are expressing an increasing need for self-care – and household budgets are now being spent with that in mind.” Weight-loss has received significant focus from the UK Government, while the mental health of the remote workforce is also a growing concern.

The path ahead remains uncertain, but it is clear that there remain opportunities for the ProVen portfolio and the entrepreneurial talent of the UK to harness the growth sectors and technology trends emerging over the coming decade.

Investing in the 'New Normal'

During the first nine months of 2020, venture capital investment in Europe fell by 12 per cent compared to 2019. The data – published by Sifted, the Financial Times media platform for European start-ups and investors – showed a decline of almost £3.5bn in funding.

There is an inevitable slowdown in venture investment during any recession. However, this year's decrease in funding reflects the broader operational challenges facing investors, including the ProVen VCTs. And yet, there were four new additions to the ProVen portfolio between March and October 2020.

This chapter examines how Beringea, the manager of the ProVen VCTs, has tailored its investment process to ensure that the funds have been able to actively invest during the pandemic.

› Sourcing and closing investments

"While there is a lot of formal structure to evaluating investments, selecting and winning deals ultimately comes down to personal interactions. We've been pleasantly surprised that we haven't had to compromise on this during the pandemic – modern communications mean we are able to have daily face-to-face interactions, calls and meetings with potential investments. If anything, we now communicate even more, as teams are used to being on Slack, Whatsapp, and all forms of messaging 24/7. If we have a question, we ask it real-time, and vice versa.

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"We've been pleasantly surprised that we haven't had to compromise on personal interactions with management teams during the pandemic."



Karen McCormick
Chief Investment Officer, Beringea

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It's easy to forget we may not have met 'IRL,'" commented Karen McCormick, Chief Investment Officer at Beringea.

The investment process run by Beringea for the ProVen VCTs had to adapt rapidly. From sourcing deals to carrying out due diligence and closing investments, the process shifted entirely onto digital platforms – and it has resulted in new investments in Luxury Promise, EDITED, Commonplace, and Social Value Portal since the beginning of March.

"Aspects of tailoring our investment process for the pandemic have been relatively straightforward. Webinars and virtual conferences have taken the place of networking events. We can rely upon a network and reputation developed over two decades to source deals, and we have shifted to paperless processes to close transactions," notes Stuart Veale, Managing Partner of Beringea.



Geoff Watts and Julia Fowler
Co-Founders of EDITED

"The due diligence process has, however, required greater consideration," continues Stuart. "Within the restrictions placed upon social distancing, we have continued to meet entrepreneurs to ensure that we can assess them in person. We believe that building these personal relationships remains integral to investing successfully."

María Wagner, who led the investment into Social Value Portal, adds: "We signed terms as the Prime Minister announced a national lockdown. This meant that we had to adapt rapidly, shifting our due diligence sessions with management and clients onto Zoom – it was tougher to build rapport, but we embraced the change and it proved to be more efficient than trying to schedule face-to-face meetings."

"We can rely upon a network and reputation developed over two decades to source deals."



Stuart Veale
Managing Partner, Beringe

As we move into 2021, the majority of this digital investment process will be maintained, and there remains a healthy pipeline of investment opportunities to consider. Fuelled by the trends that we have outlined in this report, technology-enabled businesses are thriving and seeking funding.

> What happens next: the venture outlook

The ProVen VCTs are positioned strongly to harness these opportunities, with funds available to invest in new additions to the portfolio as well as backing existing investments that have shown the foundations for successful growth as we emerge from the pandemic.

There is competition for deals, and valuations of early-stage companies are yet to experience the same downturn as the broader economy. Experience has, however, shown that recessions can provide fertile ground for the ProVen VCTs. Monica Vinader launched its jewellery brand in the midst of the crash of 2008, it was first backed by ProVen in 2010, and it has since proved a valuable investment.



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For more information on the ProVen VCTs
use the contact form on our website or call:

020 7845 7820