

FIN(4)FW044 - Finance Wales Inquiry

Response from Super Rod

Company Background

Super Rod founded in 2001 by local entrepreneur Bob Harrison, then taken over by current owner in 2006. Original business was formed to distribute a range of products manufactured in Australia in the UK. Now Super Rod design and manufacture their own range of products in the UK (Wales) and distribute them all over the world with exports now accounting for 50% of sales and profits.

The current owner completed a MBO in 2006, with the help of three main partners, namely RBS (who provided CID facility), Finance Wales (provided a pure debt / loan facility) & UK Steel (who had a mix of debt & equity in the business).

In 2010 Super Rod re-financed to re-claim 100% ownership taking out the UK Steel Equity, this was achieved with a joint deal with Finance Wales (debt over 5 years), and Santander (who provided a CID facility).

At the final stage we had a choice between lenders, that included a mix of traditional banks, and Finance Wales, ultimately we decided to go for the above Hybrid solution, which we feel offered the best value, taking into account risk, support and long term growth plans of our business.

Evidence

As requested, the evidence has been requested to cover 7 area's, my response is based on my experience in working with Finance Wales for around 7 years, and completing two transactions successfully, and also from evidence taken from other business people who have had experiences with other organisations.

- **The role and strategic purpose of Finance Wales** - should it be self-financing by operating on commercial investor principals, or should it primarily support the economic development priorities of the Welsh Government? How do banks operate alongside public bodies such as Finance Wales, and how could this be improved?
 - *There is a slant to this question, in that it seems to imply that that its not possible to do both, which I feel is mis-leading. Finance Wales should be self financing as with-out this discipline, as the process that clients have to go to not only benefits the business i.e. it helps flush out any weak areas of the business plan, but also protect the fund for future generations of entrepreneurs, thus creating a sound structure moving forward.*
 - *With reference to linking investments to the current priorities of the Welsh Government, my personal opinions is that whilst it makes sense for the priorities to be complimentary, this should not be a straight jacket, as a good business is a good business, and if it provides an opportunity to generate wealth and employment in the region it should be supported regardless of the priorities of the government in place at the time. Businesses require a stable environment to operate, not one that can change direction dependant on whatever political environment we find ourselves in.*
- **Current performance** - has Finance Wales achieved appropriate outcomes in areas such as jobs created / safeguarded, business support, return on investment, economic impact, associated private investment etc?
 - *With regards to jobs created / safeguarded, all I can say is that we have 12 different families working at Super Rod, and Finance Wales have stuck by us in good times and bad, and on*

behalf of each and everyone one of this families, including my own, we could not have asked for a better business partner.

- On a wider perspective, when I speak to other entrepreneurs across the world they are envious of the type of support we have access to in Wales, and FW is a big part of that.*
- With regards to Finance Wales's links with attracting associated private investment, I think anyone who looks closely at their portfolio will find a multitude of hybrid investment platforms combining both public and private funds.*

- **Interest rates charged** - are these appropriate relative to those charged in the private sector or other sources, and given State Aid requirements, should interest rates charged be commensurate with risk?

- Obviously people will focus on headline rates, but based on my experience there has always been minimum difference in the overall package from FW versus our traditional banking partners. Business owners like myself look at the overall cost of any deal over the life of the deal, assess the risk associated with the various options, and make a decision based on what will provide the best outcome. Interest rates, is one element of the overall packs so any comparison should be based on the full package which will vary from deal to deal. Finance Wales have demonstrated to both me and other businesses in Wales that they can provide bespoke solutions tailored specifically to a businesses needs, this can be much more valuable than the odd percentage point here and there. Also on a personal point, I think it's morally right for us to put something back into the pot, so provide funding for entrepreneurs in the future, that will deliver long term growth that will benefit us all. Morally, and commercially its the right thing to do.*
- Linking rates to risk, why wouldn't they otherwise we would have chaos, it astounds me that we are even raising this as a question.*

- **Value for money** - does Finance Wales provide value for money to the Welsh Government, and how does it compare relative to other forms of public intervention and support?

- This can only be answered by those in government, and is very dependant on what they are looking for at the time. Personally I feel FW are part of a matrix of support, that links various departments, that ultimately is tasked with creating an environment that encourages businesses to grow, so the fact that we want to isolate and compare is not healthy to start with, we should try looking at it from a entrepreneurs perspective and see how attractive the whole package looks, this should be key in determining value.*

- **Arrangements for future sources of finance** - what potential forms of finance should be considered by Welsh Government for Finance Wales (including sources such as European Funds and the European Investment Bank)?

- Not really an area where I have any expertise, the only comment I would make is that FW seem to have been successful in attracting funds from various sources, based on their historical track record and the quality of the people they employ. Should either change, we open ourselves up to the risk of fund managers taking their money else where. Personally if I was controlling funds on behalf of say EIB I would already hear alarm bells ringing about the disconnect and lack of confidence shown by the assembly to Finance Wales.*

- **Corporate structure of Finance Wales** - Is the current structure fit for purpose and what potential alternative models could be considered.
 - *Overall, I think the structure is fine, the only amendment I would suggest would be the inclusion of either current or past client on their board, to enable the board to benefit from the input of people who have “walked the walk”.*
- **Activities of the Finance Wales Group in the north of England** - is this of benefit to the economy and SME business of Wales?
 - *Not having actual access to the performance data, impossible to comment. But the concept can deliver in TWO main area's, namely; If the investments are successful and generate revenue, this creates the opportunity for even more funds to be generated for Wales, Secondly, working in both the North East and the North West were communities have faced some of the same challenges we face in Wales, gives people the opportunity observe and learn from best practice in the other regions.*

This evidence has been submitted by Malcolm Duncan, the current owner and CEO of Super Rod Ltd. Whilst my comments are often personal they are based on a sound experience in business both in the UK and Internationally, covering fields such as Business Development, Company Acquisition and Disposal (last one for over £300m), with a speciality in Marketing and Product Development.

Finally, “ You may not know, but I am NOT Welsh, I was not born here and I have no family ties in the area, BUT I decided to set up both my home and my business in Wales, the support from Finance Wales was a key part of that decision making process. so not just on behalf of my own family, but also on behalf of the 12 families we have supported with employment over the last few years we would like to thank all at Finance Wales for making this possible.