

Clerk of the Finance Committee
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Dear Sir/Madam

Enquiry into Finance Wales

I am writing in response to the invitation to submit evidence to the Committee to support its enquiry into Finance Wales. Finance Wales is a minority shareholder in Clinithink. Having reviewed the terms of reference (“ToR”) for the enquiry, Clinithink is in a position to provide input in a number of the areas outlined in the ToR. All of the information provided in this letter is based solely on our experience of working with Finance Wales.

Background

Clinithink is a software product and technology company founded in 2009 with its registered office and global R&D centre in Bridgend, Wales. The company provides unique natural language processing (NLP) technology to the healthcare IT sector and trades predominantly overseas in the US and SE Asia. Finance Wales is a Clinithink shareholder by virtue of its participation in a conventional “Series A” equity investment round in the company led by a US-based institutional Venture Capital (VC) firm, Vanguard Atlantic. The round took place in two tranches in the first and second calendar quarters of 2012 and totalled £4.5M of which £1.25M was invested by Finance Wales. We have not received any other kind of funding, either as equity or debt from Finance Wales since the Series A round.

Prior to the Series A round, the company had generated little revenue and employed seven employees, two of which were based in Wales. By the end of the financial year in which the company concluded its Series A round, the company had grown to eleven employees, of whom four were based in Wales. The company’s audited accounts for that year show that it delivered revenue of £2.6m with an operating profit of £1.1m.

Currently, the company employs twenty six employees, of whom thirteen are based in Wales representing significant growth over the last two years. All of the jobs created in the Welsh operation are high value technology roles based out of the Bridgend office.

Finance Wales Investment – approach to risk

Like all investment firms, Finance Wales adopted a thorough approach to the due diligence needed to assess the risk of investment in Clinithink. We found this diligence to be very meticulous and at a standard consistent with or above similar diligence exercises we experienced from other private sector investors in both the UK and US who were assessing Clinithink as a potential investment opportunity during the same timeframe. We found the time taken by Finance Wales to reach an investment decision to be significantly longer than that experienced with other investors in the company, whether they decided to invest or not. We had the impression that the risk appetite at Finance Wales was

somewhat lower than that at other private sector investment firms we were working with during the same time period but this is very difficult to measure or verify.

Finance Wales as partners

Since their investment in the company, we have found Finance Wales to be excellent partners. Finance Wales has provided invaluable support and advice to the company especially in relation to its activities to establish its Welsh R&D office and recruit specialist technical staff. Finance Wales' networks within government and throughout the SME community in Wales have also enabled it to support other activities the company has undertaken including collaboration with universities, various marketing activities and understanding what other kinds of funding from across Welsh Government the company may be eligible for.

Locating in and investing in Wales

As co-founder and CEO of the company, I can state that were it not for the opportunity to secure investment funding from Finance Wales, it is most unlikely that the company would have established its R&D operation in Wales. The investment funding contributed by Finance Wales enabled us to raise over three times that amount in inward investment in Wales, creating high value technology jobs.

Enquiry areas of interest

Considering the Committee's ToR and based only on our experience, we consider that Finance Wales has been successful in stimulating the creation of high value jobs in an area of significant economic deprivation in Wales. From our perspective, this has been achieved by Finance Wales operating as far as possible in a manner consistent with commercial investor principles. We believe this is a good outcome for Clinithink, for Finance Wales and for the Welsh taxpayer. We would encourage Finance Wales to look at ways in which its diligence process could be accelerated to make it competitive with the private sector. Assuming good investment decisions are made, a healthy return on investments made by Finance Wales would presumably generate revenue for its owners, the Welsh Government, as an additional benefit.

Please do not hesitate to contact me if you have any queries in respect of this letter or require any further information.

Yours faithfully,



Dr Chris Tackaberry
CEO