

FIN(4)FW056a  
Finance Wales Inquiry  
Response from PBD Consulting

PBD is a leading Commercial Due Diligence firm that specialises in small to mid market deals typically of less than £10 million. Our clients include Finance Wales, UK and US private equity firms, FTSE-250 firms and High Net Worth Investors.

1. We echo the praise that is reference in Part 1 on pages 26 and 27 that they are very experienced and skilled in their work.
2. Also in comparison to other Investors we work with their focus as we work with them on the Due Diligence of a venture is very much on *“how do we make this specific venture work”* rather than the traditional corporate approach of *“how do we make this deal work for us”*. Specifically they invest significant time to work through the challenges that would make other investors walk away.
3. Reading the report we were impressed by the wide span of responsibilities of Finance Wales. As its’ sponsoring body, the Welsh Assembly can clearly support the organisation by working with Finance Wales to clarify where it could best focus its limited resources
4. We were disappointed to read that some people *“question whether an organisation that is wholly owned by the Welsh Government is undertaking tasks outside of Wales”*. Surely this is a testament to the great capabilities that the Welsh Government have been wise to create in Finance Wales. Their track record of creating innovation, growth and economic impact and working closely with businesses has enabled them to be seen as the best in the UK. Hopefully this is seen as a source of pride. Additionally it should be obvious that this type of success is very powerful in helping Finance Wales recruit the talent to support the mission it has been set by the Welsh Government.
5. We were also surprised by a number of the other discussion points and recommendations
  - a. “Given this [Finance Wales has not utilised the full range of financial instruments available under EC regulations]the Minister may have a view as to whether Finance Wales is fit for purpose or whether the organisation needs to be taken in-house into the Welsh Government so that it can focus on its economic development role for the Welsh economy” (Part 2: page 3)
    - i. It is surprising and disappointing that the author choses to jump straight to questioning whether the organisation is “fit for purpose” when he sees some potential improvements in how Finance Wales could work.

ii. It is even more surprising that the next remedy is to take Finance Wales “in-house”. This again feels like a distracting “reorganisation of the deck chairs” and has the potential to stifle the leading capabilities that are both delivering for Wales, and admired throughout the UK

- b. “A case can be made for spinning off the equity function from the debt function for Finance Wales”  
Being able to offer debt or equity into a deal as appropriate is an important tool for any investor. Again this suggestion feels more like “reorganising the deck chairs” than addressing a specific problem
  - c. We were curious to learn about the potential “Welsh market for their (Business Growth Fund) funding is around 85 mid-sized growth firms” [Part 2, page 31]. As the Business Growth Fund website describes that they have invest “183 million invested in 36 growing companies across the UK”. Hence it is hard to see why the potential is more than twice the size of the whole fund. The source for this analysis is not foot noted
  - d. We do not believe that the report provides compelling evidence that Finance Wales is “not fit for purpose” to “support economic development in Wales and the SME sector. To the contrary the report offers significant evidence it is doing this successfully, though clearly there are areas where it could improve or increase its focus.
6. The report highlights a well discussed dynamic that there is clearly a funding gap across the UK including Wales. It aims to size this challenge by using national and regional statistics. It also discuss potential remedies but offers limited insight into specific credible remedies.
- b. For examples we could see Private Angel investors would appreciate having a government supported fund [Part 2, page 27] to co-invest (presumably as this could have the potential to increase their investment returns or lower their risk). It is not clear what will be effective solutions to this funding gap
  - c. Therefore it feels bold to go through the disruption of creating a “Welsh Development Bank” until it is clear what were are the levers it needs to pull to address the funding challenge.

Any questions, please feel free to contact me

Sincerely

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