Business innovators pack their passports to expansion

Disruptive firms are often going overseas for fresh funding as well as new markets

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A notable trend in the league table is companies with strongly disruptive business models – based on new technology solutions, new business models or new methods of financing – challenging incumbents.

Innovation and a wide pool of available capital at low interest rates are allowing these disruptors to develop quickly. They are often finding backers overseas that want to help them expand.

Exemplifying this swashbuckling spirit is The Hut Group (No 72), the Manchester-based online beauty and wellbeing retailer. Since it was set up in 2004, it has built a portfolio of more than 165 websites and brands such as Glossybox and Lookfantastic, and recorded impressive sales growth of 24.5% last year to £916m.

Driving its success is THG Ingenuity, the constantly evolving ecommerce technology platform that it developed in-house, which allows trading in 46 languages and 42 currencies and also supports global brands such as Honda and Nintendo.

Valued at £3.25bn in 2018, The Hut Group is backed by the likes of KKR, the global private equity firm, and Balderton, the European venture capital firm. In April the group extended its corporate debt facility, involving a syndicate of European, American and Asian banks, to $1bn, giving it further firepower to invest in its beauty products, technology, infrastructure and overseas expansion. A fifth of sales are now to Asian markets, while it already has substantial warehouses in Poland, America and Hong Kong.

Overseas investors won over by UK private companies with attractive consumer-facing business models, are also funding the roll-out of those businesses around the world. For example, Ovo Energy (No 85), set up in 2009 by Stephen Fitzpatrick, 41, to challenge the big six energy providers by offering simple tariffs to consumers keen for environmentally friendly power, has 1.5m customers and saw a 16.3% rise in sales in 2017, to £834m.

Fitzpatrick wants to lead the "global, tech-enabled transition to a zero-carbon energy system". In February, Mitsubishi Corporation from Japan bought a 20% stake in a deal valuing the Bristol-based company at a reported £1bn. The funds will help Ovo to expand into Europe and Asia-Pacific and to develop its technology.

This investment reflects the trend over the past few years for growth funding to come from private investment rather than public markets, turning the belief that public markets support higher valuations than private capital on its head.

ALEX WHITEHEAD

Powering pack: Ovo Energy (No 85) sponsors the women's cycling tour of Britain

The new wave of London-based digital banks have been beneficiaries of this, with Greensill receiving $800m (£630m) from SoftBank's Vision Fund in May, which followed OakNorth securing $440m of investment in a February funding round led by the Japanese investor, which is the world's largest tech investment fund.

Also that month, China's Ant Financial snapped up WorldFirst, the foreign exchange firm launched in 2004 in a south London basement, and last year, Revolut, the four-year-old mobile-only consumer bank, raised $250m in a round led by Russian technology investor DST Global, valuing the company at $1.7bn. More UK fintechs are sure to join the likes of Paysafe (No 81) and Top Track 100 alumnus Worldpay on the table.

Although available capital is important for the growth of disruptive companies, great entrepreneurs and innovators driven by passion and talent remain at the heart of many growing private companies.

Brothers Mohsin and Zuber Issa started EG Group (No 3), the fuel forecourts operator, 18 years ago, having seen the potential to offer motorists a much-improved range of services. Now their company has sales of £10.6bn, up 135% in 2018, with the private equity firm TDR Capital coming on board as an investor in 2015.

Led by a respected management team with a deep understanding of the sector, EG Group has taken its model global.

It now counts more than 5,500 sites worldwide, last year buying the American company Kroger Co's 762 convenience stores in a £1.5bn deal, and last November spending £900m on a chain of Australian petrol stations.

"The petrol forecourt segment offers a fantastic opportunity for us to create a global retail platform with a robust offer in fuel, shopping and food-to-go," said Mohsin Issa, co-founder and co-chief executive.

"We're developing our offer in international markets, looking at making further acquisitions and nurturing relationships with the major consumer brands we work with.

"Consumers like convenience retail, and we prioritise our investments accordingly."

Current political upheavals have not prevented companies with new disruptive business models emerging, securing finance from seasoned investors and continuing to grow.

As those companies develop, they are reaching out to the legal advisers who most fully understand the needs of international finance providers and are most able to innovate and adapt to changing business practices.

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