

MAYOR'S INTERNATIONAL BUSINESS PROGRAMME

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RAISING CAPITAL FOR INTERNATIONAL EXPANSION

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GOING GLOBAL

Not all companies start out with a clear international expansion strategy. “Going global” may certainly be an aspiration but the journey usually begins with a customer order or a business opportunity which then grows into something more ambitious.

Today, however, the potential to plan and grow an international business is greater than it has ever been. Online marketplaces such as Amazon, Rakuten in Japan and Tencent in China provide global showcases for retailers and brands. A strong digital presence creates access to new markets and customers 24x7.

At some point, though, you will need boots on the ground. Digitalisation has made it quicker and cheaper to internationalise a business but having that local presence and understanding is still necessary. Take equity crowdfunding platform Seedrs, which has opened offices in Amsterdam and Berlin this year, as well as entering the US market through an acquisition. “In order to grow, we could not just service all our deals from London,” says CEO Jeff Lynn. “We needed to have a physical presence, for our own people to follow up on discussions and be a local touchpoint for companies wanting to use our platform.”



FIRST, DO YOUR HOMEWORK

International expansion does not happen overnight. There's an ocean of preparation ahead. "Most entrepreneurs will under-estimate the cost and time of executing an effective market entry," says Izzy Fox of White Cloud Capital, a London-based VC firm which invests in international growth companies. If you have boot-strapped your business here at home and are used to keeping things lean and mean, this is not always easy to do. Her rule of thumb: whatever you estimate, double the time and double the cost.

Identify your principal market. There is no shortage of desk research tools to help. The new government website [great.gov.uk](https://www.gov.uk/government/organisations/great-britain) aims to facilitate connections for British companies with international buyers.

"You have to immerse yourself in the market first," says Allyson Stewart-Allen of International

Marketing Partners and a mentor on the Mayor's International Business Programme. "That means living in it and smelling it, observing consumer behaviour, watching potential competitors, conducting interviews and focus groups, understanding the dynamics of the marketplace. You just have to spend time on the ground - and that doesn't mean just attending a couple of trade shows." She says that the impact on management resources for this phase is "frequently not just under-estimated, but not estimated at all."

There are administrative lead times, particularly if your first new market is a territory such as the USA. Visas need to be secured. Investigation must be conducted to ensure against infringement of trademarks. There are the logistics of establishing appropriate legal contracts, employment arrangements for local staff, tax, accounting and insurance.

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Husayn Kassai,
Co-founder & CEO of Onfido

Modifications will need to be made to satisfy overseas requirements – these may be adapting to local regulations and standards, to changing labels and packaging to suit local tastes.

The growth of shared offices has made it simpler and cheaper to establish a physical presence in cities around the world. For Seedrs, for example, the administrative costs of opening its two European offices have been relatively low but the investment has been in marketing and building brand awareness.

Crucially, your organisation must match fit before expanding into a second region. “If you go into another country then you must have a scalable internal structure and an established company culture,” says Husayn Kassai, co-founder and CEO of Onfido. “You need to have your house in order before you expand globally.”



BE FLEXIBLE AND CONNECT TO ALTERNATIVE FINANCE

The ideal situation, of course, is that customer orders enable you to self-fund this international growth. But the upfront costs - logistics, marketing, product development, additional payroll - will put a strain on cashflow. Chances are, you will need to explore other forms of finance.

If your business has purchase orders that need to be funded, or if it imports or exports products for resale, then trade finance provides a form of working capital that helps fund the transaction process between your business, the manufacturer and your end customer. It means “you can do cross-border business without needing a large reserve of working capital,” according to Conrad Ford, CEO of the business finance marketplace Funding Options.

Obtaining the right funding doesn't necessarily mean having to show a long, positive cashflow history in order to access credit facilities. As the world centre of international trade finance and of innovation in fintech, London provides a huge diversity of finance options to businesses who want to scale up internationally.

There are established providers of trade finance, a new generation of challenger banks, as well as many specialist trade finance houses. Innovative online credit providers such as iwoca (itself a [London fintech success story](#)) and Funding Circle can also enable rapid fulfilment of export orders.

There is a useful list of export finance providers [here](#).

FIND INVESTORS WHO CAN SUPPORT YOUR GROWTH



Many high-growth tech companies will seek out equity finance to fund their international expansion. One key advantage is that you can tap into the connections, networks and knowledge of your investors. It may also give you the firepower to make acquisitions, or so-called acqui-hires.

If you are raising early stage funding, angel investors will want to see evidence of domestic

success. “You should be able to make a fist of it at home and you’ll need to have good reasons otherwise,” says Anthony Clarke, CEO of London Business Angels. And the pitch for funds will need to focus on a particular geography; “it’s not enough to have a suitcase and an idea. We want to see the distribution points,” he adds.

“We have a number of our portfolio companies have quickly tested in the UK

markets and have soon gone global,” says Izzy Fox. “We like to see that ambition.”

While VC investors will push for a detailed plan, they also expect an ability to see, test and reiterate quickly to changing market conditions. “A business with international ambitions must be prepared to pivot and not be stuck in its thinking,” adds Izzy Fox. “It must not be afraid to change and adapt.”

TAP INTO CORPORATE MONEY

One funding route that is becoming more popular is raising corporate money alongside existing shareholders, thus bringing in a large corporation as an investor and, potentially, onto the board. “Every single one of such deals are for international expansion,” notes Anthony Clarke, CEO of London Business Angels. “This is a trend that seems to be increasing,” says Izzy Fox, “and it can be a great help in taking companies into new markets.”

A variety of London-based companies have chosen this path recently.

[Simplestream](#), which operates the streaming platform TVPlayer, closed a £5m investment round led by American TV company A&E Network.

Sony Pictures Television Networks has invested in [Hopster](#), which operates a global pre-school streaming video on demand platform.

Japanese corporate giant Mitsui has led an investment round of £3m in the data science company [Black Swan Data](#), which will support its expansion into Asia.



THINK ABOUT CROWDFUNDING

“We see many businesses cite international expansion as a reason for fundraising, particularly as more businesses are coming to the platform at a later stage,” says Seedrs’s Jeff Lynn. One potential advantage from raising funds this way is that you will probably get international investors on your share register. “Even if you do not have a specific international agenda, the odds are that investors will come from 10-20 countries.”

Earlier this year, for example, the online foreign exchange platform [Kwanji](#) **raised £500,000** on SyndicateRoom to expand its operations and partnerships in East Africa.

EQUITY FINANCE & TRADE MISSIONS TWO PILLARS OF INTERNATIONAL GROWTH

Over the past two years, identity verification company Onfido has raised several rounds of funding to build out its machine learning technology, hired top-class engineers and executives and, crucially, has grown its international presence in the USA and, more recently, India. Earlier this year, it raised \$25m from a slew of institutional investors including Salesforce Ventures and ID Invest.

The company now has offices in four countries, clients carrying out checks in 132, and more than 140 employees worldwide.

The company has also drawn considerable value from participation in the Mayor’s International Business Programme. “This was terrific,” says CEO and co-founder Husayn Kassai. “We had presence on the US west coast but we wanted to evaluate Chicago and New York as potential bases for expanding our east coast business, so we were able to take advantage of the recent trade mission to both cities.” More recently, Kassai was part of the Prime Minister’s trade mission to India - the country that is now Onfido’s second largest market.

SIX OF THE BEST CAPITAL RAISERS

Six exciting and ambitious London-based companies have raised equity finance in 2016 to help drive their international growth.



Ravelin

machine-learning fraud detection accelerating the growth of its client base around the world.

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Ogury

accelerating its international expansion; in 2016 Ogury opened its New York office to add to its network in Paris, Milan, Rome and Madrid.

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Poq

app retailer commerce platform kick-starting business outside of Europe.

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Behavox

compliance surveillance software company expanding globally; has recently opened its New York office.

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Admedo

programmatic advertising platform aiding international expansion plans; has added Dubai to its presence in New York, Los Angeles, Berlin and Paris.

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ContactEngine

customer conversation technology raised £2m to fund its expansion into Europe, North and South America

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GET FUNDRAISING

The Mayor's International Business Programme supports the global growth ambitions of London's businesses. With pitching events in market, access to finance workshops and mentors providing advice on raising capital, we help tech, life sciences and urban companies to grow and expand overseas. For more information on the programme please visit gotogrow.london

The London VC club facilitates introductions to London's leading investors allowing startups and scale-ups to grow more quickly. Joining the London VC Club will enable you to put yourself in front of London's leading Corporate Venture Capital firms, Venture Capital firms, crowdfunding platform and angel network.

For more information please visit invest.london

