

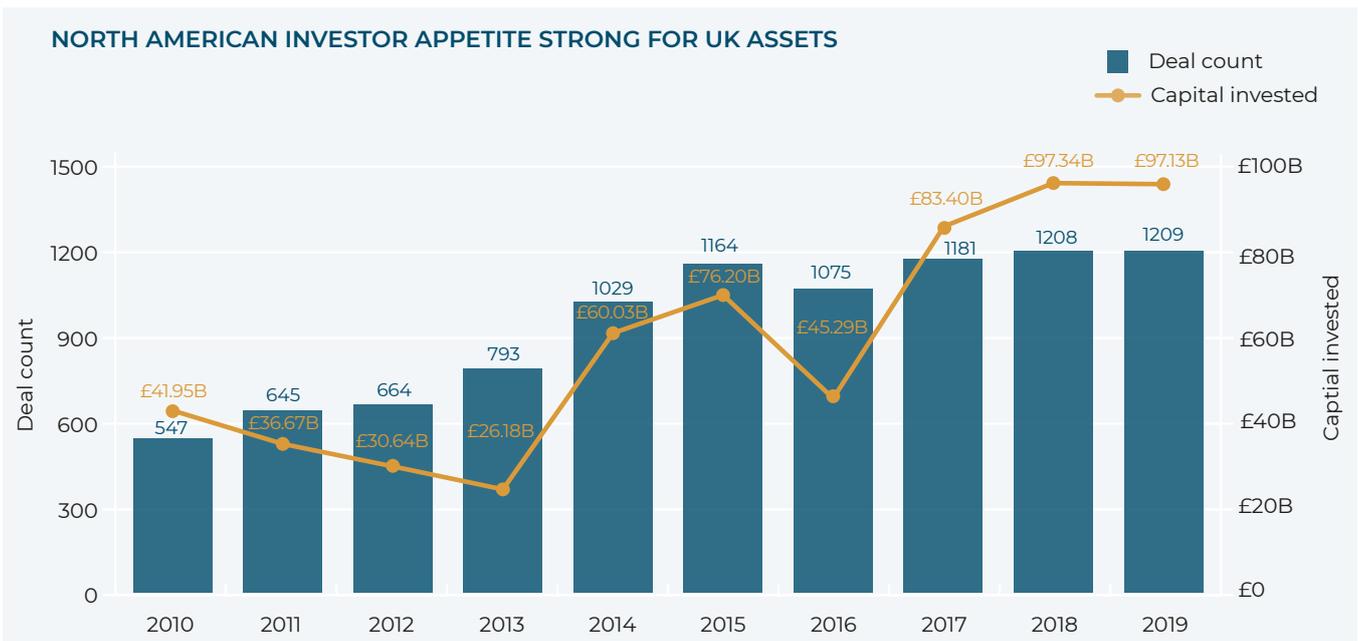
NORTH AMERICAN INVESTMENT IN THE UK REMAINS RESILIENT

British businesses are in high demand from North American investors, and are likely to remain so across economic cycles.

US and Canadian investment levels continue to be resilient despite the current challenges faced by the Coronavirus and Brexit, with these creating short-term implications rather than long-term changes.

Whether to scale their own business or to achieve financial returns, corporates and fund managers alike are drawn to the UK – it was named the top country for doing business by Forbes last year. This, combined with a large stock of world-beating companies, mean the UK blips brightly on investors' radars. None more so than in North America, with the US retaining its spot as the most prolific foreign direct investment (FDI) investor in the 2019/2020 financial year, according to the Department for International Trade.¹

“North American investors see opportunity first and foremost. Their can-do attitude enables them to see the best in businesses, taking something and growing it into something bigger and better,” says Darren Jordan, North America Group Partner at Moore Kingston Smith. “Whatever stage of the business lifecycle they are at they will continue to go after the market and talent opportunities that are so promising in the UK.”



The numbers underline the enthusiasm, with growth particularly strong since 2012, excepting 2016, the year in which the EU referendum caused investors to pause for thought. The strong rebound in 2017 suggests shock-related halts in investing are temporary as investors regain confidence in the UK's strong backdrop.

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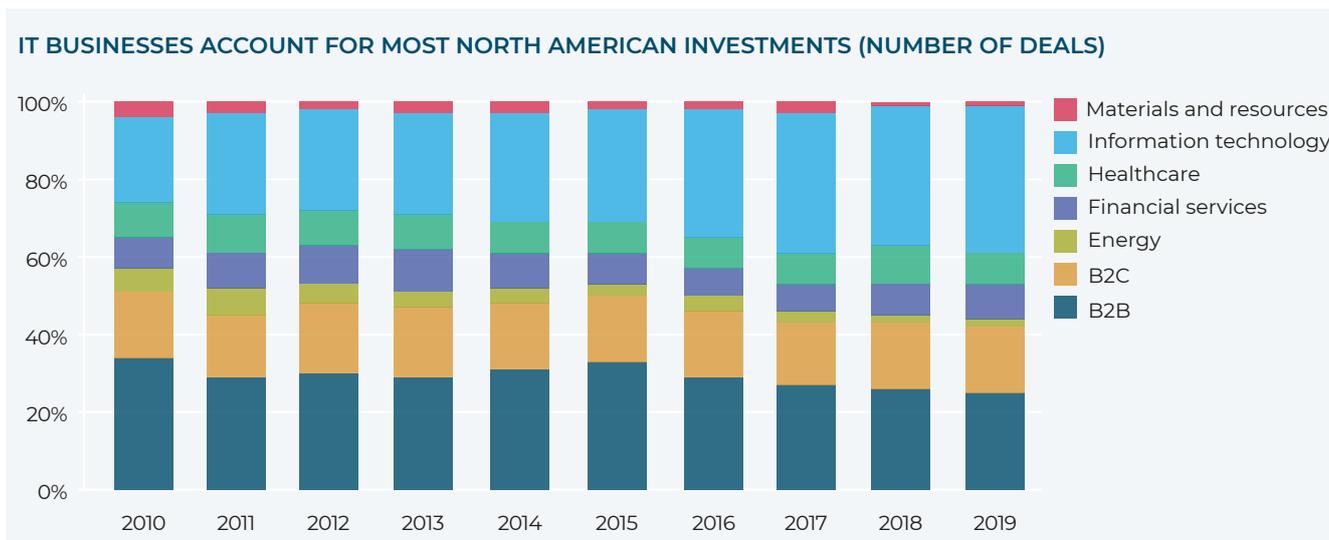
Darren Jordan, North America Group Partner, Moore Kingston Smith

Last year's £97 billion invested by North Americans in more than 1,200 UK businesses continues to impress from 2018's record figures, and is a telling sign of the country's allure. The team at Moore Kingston Smith has seen an increase in enquiries in the two years to April 2020 from North American investors hungry to expand in the UK, with little sign of this abating despite the pandemic pause.

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Given the shock to the worldwide economy this year, in the nine months to end of September 2020 the UK has still seen 735 deals and £35 billion in capital invested from North America. We expect the likely dip in this year's overall figures, similar to that in 2016, to be temporary.

Investor interest isn't limited to London. While the latest DIT report shows London and the South East again attract the majority of FDI capital, the West Midlands and North West are also very popular. "US businesses are looking further out. They may initially come to London and then look at places such as Manchester, Birmingham and Leeds. They use the UK as a platform to access other European markets, whether through the UK or additional expansion, and will continue to do so despite Brexit," Darren explains.



Investors from North America are attracted to a variety of sectors in the UK. The IT sector has accounted for a strong and growing number of investments in the last few years, clocking up over 400 in each of 2017, 2018 and 2019. The UK has one of the largest technology ecosystems in the world and North American companies often come to the UK seeking innovation through its world-class data centres.² Many of these companies choose London for their first international office outside of the domestic market.

Making the world a better place with data analytics – starting with London

Data analytics has long supported problem solving and for Washington DC based iDiscovery Solutions founder and CEO Dan Regard it has become a core part in allowing them to provide innovative solutions to their clients.

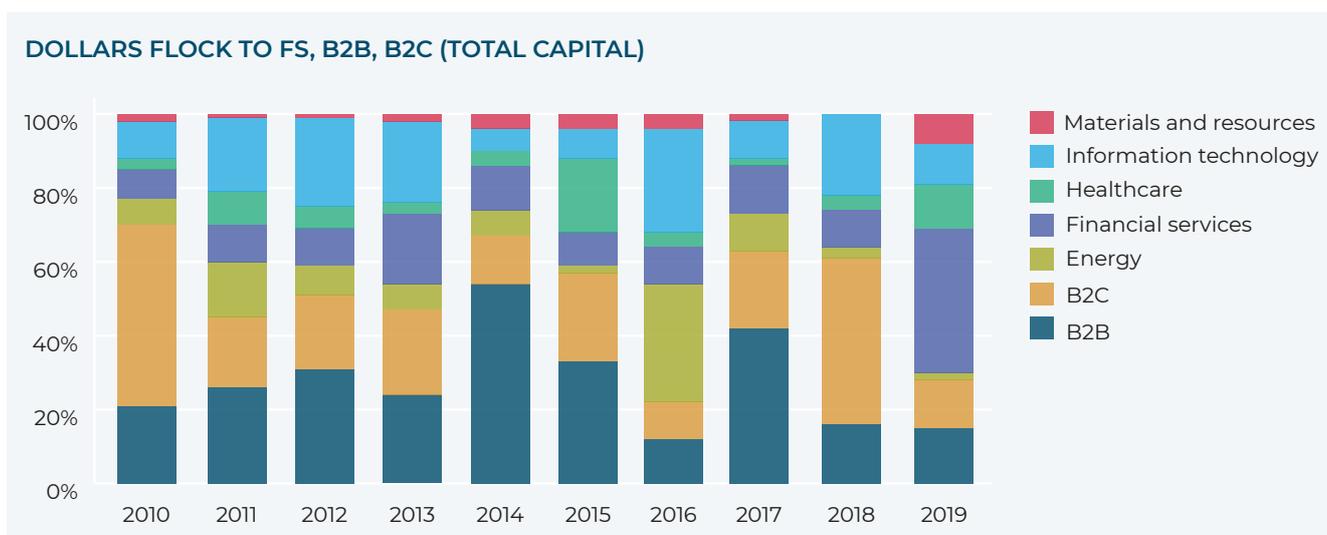
Dan has spent 30 years observing how data analytics has become a core part of dispute resolution internationally, and has had a long-standing ambition to build a global business.

Dan chose London as the firm's first international office. He admits the language made things easier, but is quick to point out that English can be spoken in most of the world, and so was drawn to the talent pool for his growth plans. "I spoke with two very talented individuals for a year, so it was a very measured decision. They're at the forefront of helping companies adapt to lessons learned in the US and applying the knowledge and our offering to problems in Europe."

The practicalities of setting up a new office are important – and can be tricky when it's in a different country. "The endorsement by a client of ours gave us initial comfort in working with Moore Kingston Smith; however I can now say that we developed trust directly as a result of their full-service offering." Dan explains that Moore Kingston Smith assisted iDiscovery with all aspects of its move to London, including banking, recommendations on office space and other professional services.

iDiscovery expanded organically, though acquisitions had been considered. "Expanding through M&A may have been faster, but the way we've done it ensures we have the right people and can focus on our culture and the brand." It's clear Coronavirus hasn't slowed iDiscovery down, with Dan suggesting there are more international offices on the cards. "London is a stepping stone to the rest of the UK."

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The flows of capital paint a slightly different picture, with IT deal sizes smaller on average and so comprising a smaller portion of investment dollars. Last year saw the largest sums of capital flow into the financial services space, with B2B and B2C businesses also attracting large sums over the last few years.

FINTECH INCREASINGLY POPULAR

A subsector of growing interest to global investors is fintech, and the UK is widely regarded as a sweetspot for such companies. Straddling both the financial services and IT sectors, London produces an impressive number of success stories in the space.

Head of Fintech at Moore Kingston Smith Tom Moore explains, "The UK is a base to many world-beating fintech companies, not least because it has one of the most powerful global financial markets, but a progressive regulator and tech-savvy customers keen to adopt new products too. North American investors are very aware of this, with corporates expanding or acquiring here to be part of it."

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UK probably the best place to build an international business

Serial entrepreneur and CEO of fintech company YayPay Anthony Venus explains his decision for splitting management between New York and London.

The idea for YayPay came to Anthony, an Australian living in London for several years, in 2015. He incorporated the business in Delaware and stayed in London developing for the first six months before launching the company in New York in 2016.

"If you want to run an international business, the UK is probably set up better for it than most. While the US is a large exciting market, its size can mean people can become consumed by serving the US market. This is in stark contrast to the UK, which is a substantial but smaller market so people tend to become very international in their mindset."

"If you can do business in the US, you can do it in the UK; it's not that different so it's the obvious choice to twin with," Anthony says.

In October 2019, Anthony moved to the UK and split the management team between the East Coast of the US and the UK. Rather than manage the strategic undertaking internally, YayPay chose to work with Moore Kingston Smith to facilitate the process. "Moore Kingston Smith was an invaluable adviser in helping us set up in the UK. They provided expert advice on complex cross-border taxation issues and also provided support on local HR regulations and the tools to get set up well," Anthony explains.

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LOOKING AHEAD

The UK has long been an excellent place to do business for North American companies, and with inbound enquiries from this market to the Moore Kingston Smith team up 80% in the last year, it is clear investors believe it remains so. “Strong legal property rights and a business-friendly culture don’t change due to Coronavirus or Brexit; they’re just bumps in the road,” says Darren. Indeed, should Brexit have a short-term weakening impact on sterling, it may catalyse additional international investor interest in UK assets as a strong long-term bet on the UK. Darren continues: “One person’s challenge is another’s opportunity, and we see increasing evidence that North American investors see this time as a strong opportunity.”

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RECENT NORTH AMERICAN-UK DEALS

New York based global adviser Duff & Phelps expanded its business services offering with the acquisition of UK-based Lucid Companies. Read more [here](#).

US artist and digital content creator sells massively popular YouTube channel, Blippi, to UK-based global content company Moonbug Entertainment Read more [here](#).

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METHODOLOGY

The data is from analysis conducted by Moore Kingston Smith on data extracted from Pitchbook.

REFERENCES

¹ <https://www.gov.uk/government/statistics/departments-for-international-trade-inward-investment-results-2019-to-2020>

² <https://www.great.gov.uk/international/content/about-uk/industries/technology/>