



cutting through complexity

Family matters

**Financing Family
Business growth
through individual
investors**

COUNTRY COMMENTARY:
UNITED KINGDOM

kpmgfamilybusiness.com

United Kingdom



Family businesses in the UK show caution toward HNWI investors, with only 33% having previously offered equity to an external investor. Possible loss of independence was the greatest fear for most. More than half of respondents indicated that they are currently seeking finance and more than half say that the current climate had influenced their ability to source much-needed finance through bank loans. However, it is their fear of losing control and a perception of high demands that make private equity and venture capital more attractive alternatives to bank loans, but these sources of finance are often seen as last resorts.

The CEO of a London-based brewery explains: "Once equity is issued, there are chances that there will be constant involvement of equity holders arguing for returns, and we have known of such cases. So we refrain from getting involved with external investors. Also, once equity is issued, reporting requirements become necessary and cannot be overlooked."

However, only one of the 10 UK HNWIs surveyed has no prior family business experience, indicating that most have a grasp of the issues family businesses come up against daily, and also the benefits of investing in them.

One HNWI – the director of a managed services and cloud provider in the UK says: "I am in favour of family businesses as they are creative and have survived the economic storms that occurred over the decade and still are powerful forces in the business industry."

Seven out of 10 HNWIs prefer fewer, more significant investments, while nine out of 10 agree or strongly agree that they would not push hard for an exit, as they are patient investors. However, 100% also indicated that they agree or strongly agree that they would like to regularly express their views to management, and also say they would like to be personally involved.

Family businesses are increasingly exploring alternative sources of debt finance and are attracted to lenders who match their long-term focus. This is an area where there could be mutual benefits.

Traditionally, UK family businesses have been wary of external investment, preferring to maintain exclusive family ownership. However, many are now exploring alternatives to bank finance to fund growth and working with other families and individual investors could prove to be an attractive option. It is certainly worth exploring these providers of equity or debt as the benefits, financial and non-financial, could be significant.

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