

How BGF investment helped UKCloud to save the public sector millions

Three years ago, BGF made a £4m investment for a minority share of UKCloud. Here BGF investor **James Austin** and UKCloud chief executive **Simon Hansford** tell the story of one of the country's fastest growing tech companies to the Bristol Post.



UKCloud CEO Simon Hansford (left) with BGF investor James Austin (Image: Clare Green)

UKCloud CEO, Simon says...

We started as a company in 2011 at a time when there was a perfect storm for the rise of cloud computing in the public sector.

The public sector was spending £17.5bn annually on IT, there was a new coalition government that wanted to reduce the cost of government during a time of austerity, and there was a set of big corporations that were providing IT services to the public sector at great cost to the public purse.

It was clear to us that innovations in cloud computing offered an incredible cost-saving opportunity for the public sector.

Instead of every government department, local authority and police force running and maintaining their own costly servers around the clock, through cloud technology, we could rent them our servers to use when their need was greatest.

We're not just talking about cloud computing for storage of files – but also for computing power.

For instance, HMRC might require a massive amount of computing capacity at peak times when everyone files their tax return, but then they would not need anywhere near that level of computing power for the rest of the year.

So we would simply rent them more servers to use for the times when they need them most.

For the public sector it means massive savings.

The other big change that was happening six years ago was in the way government procurement worked.

They went from a procurement process that could take as much as 18 months to come to fruition – to something called the G Cloud framework, which is essentially a catalogue of suppliers, which made it much easier for us to offer our services once we'd gone through the initial certification and security processes.

When it came to the BGF investment, of course the extra cash has helped us grow as a business.

But for us it was much more about having the backing of a big, very well trusted investor. There was a time when, as a young company, people's first question would always be, 'Who is backing you?'

As soon as BGF were on board, all of that nervousness disappeared.

Our success has been down to our absolute focus. We're passionate about the service we're providing.

By helping the UK public sector to gain value from the agility and cost savings of a sovereign, assured cloud platform, we are now the provider of choice on the government G Cloud procurement framework.

BGF Investor, James says...

When we were initially approached by UKCloud – or Skyscape as it was then called – back in 2012, they didn't fit squarely into our usual model as it was an earlier stage company than we typically looked at.

BGF is an independent company with capital of £2.5bn to invest

in businesses with a turnover of between £5m and £100m.

While UKCloud was below our usual threshold at that time, I remember being struck by three things.

Firstly, the calibre of their partners, such as Dell EMC and Cisco, was already amazing.

Secondly, the quality of the management team was and is exceptionally high, especially in such a young business.

And thirdly, the model was incredibly scalable if their timing on entering the UK public sector cloud infrastructure market was right.

After May 2014, when we invested £4m for a minority stake, it became clear very quickly that their timing was excellent.

These characteristics enabled the business to grow very rapidly under the management of a highly experienced and talented team.

Plans at UKCloud have always been ambitious but I really like their ability to evaluate the execution risk in a difficult plan.

Simon has a very impressive background at all levels within the IT industry so he has the experience and confidence to remain focused.

He knows there is an excellent market available in the specific area he is targeting – the UK public sector.

Simon leads the team superbly. He keeps everyone moving in the same direction, reminding them of the vision and focus of the company which are to support the technology requirements of the public sector and the taxpayer by reducing IT costs by as much as 80% in many cases.

Equally, I think Simon has found

it refreshing working with BGF and our particular investment approach, which is a more patient investment model than traditional private equity, allowing for flexibility in exit timing and comfortably accommodating changes in direction.

It's a privilege to sit on the board, offering support and guidance on the direction the company is taking where I can.

You may not have heard of this company before but if you've been on the gov.uk website in the last few years, you've already used UKCloud's servers.

The idea of cloud computing might be new to many of us but this is a UK business that is already touching so many parts of our daily lives, improving efficiencies and truly transforming the IT infrastructure for central and local government.

It's a superb business.

BGF is the most active investor in small and mid-sized businesses in the UK and Ireland. An established and independent company, we have £2.5bn to support a range of growing companies – early stage, growth stage and quoted – across every region and sector of the economy.