

Many business relationships get stronger over coffee. It's not just refreshment; it's a chance to bond and share plans.

200 Degrees is an artisan coffee business with a taste for success and brewing ambitions. Through the deal we've negotiated for our private equity investor client, these growth plans are being served just as they should be, much like their coffee.

CORPORATE & COMMERCIAL



CASE STUDY

Project

200 Degrees Coffee

Client

Foresight Group

-  A private equity investment deal allowing a small enterprise to grab a shot at becoming the UK's leading specialist coffee company.
-  Encouraging regional growth through a perfectly-suited investment deal for the Foresight Nottingham Fund and venture capital trust funds.
-  Already delivering strong results, with new coffee shop openings and thriving wholesale trading.

This is the investment deal by Foresight with 200 Degrees Coffee – winner of the SME Deal of the Year at the Insider East Midlands Dealmakers Awards 2018.



A freshly-made coffee funding deal

There's a thirst for great coffee. 200 Degrees Coffee was set up in 2012 by two entrepreneurs as a small roasting operation in Nottingham, supplying beans and machines to the hospitality trade. Within two years the first barista school and 200 Degrees coffee shop opened, serving high quality coffee and food in a distinctive atmosphere.

The growing business soon opened new shops in four other cities. Its perfect blend of ambition and verve, in the still rapidly expanding artisan coffee market, appealed to like-minded investors Foresight.

We poured advice into our client's investment of £3 million to fund 200 Degrees' nationwide expansion of shop openings while building its wholesale business and online retail coffee subscription model.

Our support to Foresight is based on many years as their trusted legal advisor – not just on their investments but on structuring and fundraising too.

Foresight knows enough about coffee to spot a good investment. And as a leading independent infrastructure and private equity investment manager, it also knows its beans about managing funds for its investors.

Its extensive portfolio includes the Foresight Nottingham Fund (FNF), a £40 million regional growth fund providing investment to small and medium sized local businesses on behalf of the British Business Bank and Nottinghamshire Local Government Pension Fund.

FNF and 200 Degrees Coffee are the ideal match – stimulating enterprise and generating growth together.

Building on our long-standing client relationship with Foresight, we used our corporate investment and project management skills to achieve fast and refreshing results.

We coordinated and advised on all legal aspects of the investment in 200 Degrees Coffee, involving over 60 documents. This included:

- negotiating and drafting the terms of the investment;
- drafting the company restructuring documents to enable the deal; and
- drawing up the investment agreement, including covering the warranties and disclosure details.

Smoothing the way to offer quality coffee across the nation

Being funding savvy

The perfect cup of coffee is not just about taste, it's about doing things the right way. It's like that in business too.

Advising on investments requires a thorough understanding of the different funding rules and arrangements. Foresight wanted to invest some of its own money in 200 Degrees as equity through buying shares and as loan capital. So we needed to draft a loan agreement to fit alongside the investment agreement.

State aid investment rules apply to the Foresight Nottingham Fund (FNF), requiring our knowledge of UK and EU funding regimes and interfaces. Complementing this principal funding source, Foresight also used venture capital trust (VCT) monies for the investment. This benefited from our particular expertise in VCT matters to secure the deal's necessary approval from HM Revenue and Customs.

Our work highlights

We negotiated the bank facility and the priority arrangements between the bank and Foresight as lenders, as well the management team's priorities from residual loan monies in the business. We advised on the technical implications of FNF and VCT rules, and applied our specialist skillset to ensure the right structures and flexibility needed.

Putting people at the heart of the deal

An investor like Foresight is investing not only in a business but in its people. Focusing and motivating management is key to delivering business plans. So to protect the business and its key personnel, some employment policies and reporting procedures were refreshed.

With the investment, Foresight brings retail understanding and a network of key contacts to reinforce 200 Degrees' growth strategy. As part of the investment plan, Jonathan Hart, former MD of Caffé Nero and CEO of Thorntons, was brought on board as 200 Degrees' non-executive chairman.

Our work highlights

We led on the crucial negotiations with the co-founders and their advisors on the terms of new employment contracts. We also helped with making health and safety compliance more robust, and worked on the appointment agreement for the new chairman.

Forging high quality partnerships

We relish all investment deals, especially ones like this – coordinating other professional advisors, such as banks and accountants, and spending time with entrepreneurial investors and businesses like Foresight and 200 Degrees Coffee.

Jointly we worked to deliver the deal to a tight timetable. Unlocking the huge potential for successful expansion means the coffee company is set to more than double its workforce and turnover within the next three years.

Our work highlights

We used our tailored approach to give Foresight commercial advice and practical solutions in all areas important to them. Plus, our legal due diligence of existing contracts and current and future property assets was vital in updating Foresight's risk register and shaping the investment's action plan.





Our trusted team extracting the best deal for this coffee investment



Roger Harcourt

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Lead partner

Roger has a wealth of experience advising on financing businesses, buying and selling companies, and developing joint venture and shareholder agreements.

He acts for a number of banks and venture capitalists. He also heads up our innovative healthcare team, advising care providers and med-tech entrepreneurs on legal, operational and funding issues.

Roger's clients value his pragmatic approach to commerciality. Having worked with Foresight Group for many years, Roger and the team are currently helping to bring forward a number of investments - both for the Foresight Nottingham Fund and for the Midlands Engine Investment Fund (MEIF) which has Foresight as its equity fund manager to support enterprising businesses across the East and South-East Midlands.



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