

Case study Development Capital



Streetcar Ltd UK car sharing operator

Funded by



Background

The company was founded in 2004 by Andrew Valentine and Brett Akker. Streetcar was one of the early entrants into the then nascent UK car sharing market. Through an unwavering focus on customer service Streetcar became the early UK market leader in this industry. At the end of 2006, the company had established a network of around 200 vehicles and 10,000 members around London.

At this point, Streetcar decided to look for a venture capital partner to provide the financial and strategic support to help the business in its next stage of growth. The strong team and clear scale of the opportunity created an unusual level of interest for an early stage company. The founders' carefully researched more than 10 potential funders, speaking to portfolio company CEO's as part of that process, and chose to partner with Smedvig Capital.

In March 2007 Smedvig invested £6.5m of development capital to finance the company's aggressive growth plans.

Performance

In the three years of Smedvig's investment, the business grew from 10,000 to over 70,000 members and broadened its operations from London to 8 UK cities. Revenues grew from £1m in 2006 to a run rate of over £20m in Q1 2010. During this time the business moved from being heavily loss making to strongly profitable, with EBTIDA margins of around 25%.

Streetcar was acquired by global market leader Zipcar in April 2010 for a mixture of cash and shares generating an excellent return for the founders, Smedvig Capital and other shareholders.

"Smedvig have been instrumental in the development of our company. They provided the financial backing early on which gave us the firepower to take on this huge opportunity and have offered us insight and guidance throughout the last three years. The team at Smedvig also played an important role in the transaction with Zipcar which will bring two excellent businesses together to form one larger, stronger partnership."

Andrew Valentine, CEO of Streetcar

Investor:	Smedvig Capital
Location:	London
Sector:	Car sharing
Stage:	Development capital
Exit:	April 2010
Company Website:	www.streetcar.co.uk
Investor Website:	www.smedvigcapital.co.uk

Strategy

Change pricing model to maximise profitability

- Undertook extensive primary research and analysis to understand financial and customer impact of different pricing levers
- Introduced new pricing scheme resulting in profits per member increasing by 70% with no material change in member churn

Drive profitable growth in core London market

- Optimised marketing strategy based on testing and measurement resulting in positive cash flow from new sign ups
- Detailed analytic approach to location roll out in London, consolidating market share at >85%

Selectively enter new UK cities

- Detailed profiling of market attractiveness based on range of relevant inputs
- Successfully entered seven new UK markets

Agreed asset financing and supplier agreements to support growth plan

- Built relationships with number of banks to provide asset financing for rapid growth
- Agreed flexible procurement deals with major vehicle manufactures

Strengthened management team and fostered culture of entrepreneurialism and ownership

- Made key appointments to strengthen senior team including Sir Trevor Chinn as Chairman
- Launched Entrepreneur Training Program to develop next tier of management
- Introduced share ownership plan supporting a culture of ownership throughout the organization

