

THE BIRTH OF ARCHANGELS

“It is astounding that however culturally, educationally and socially different they are as individuals, they have this ability to trust each other, which is unfathomable to many people.”

Juliette Chapman,

Gatekeeper of Archangels, 1994–1999

Economically, 1992 was a very difficult year in the UK. There were real fears that the country was heading for another Great Depression with GDP at -0.7%, interest rates at 9% and unemployment over 7% with nearly three million people out of work. The pound was being battered by the strong dollar and on 16 September 1992, known as Black Wednesday, currency speculators forced Britain to suspend its membership of the exchange rate mechanism (ERM) despite extreme government action that day to raise interest rates to 15% in an effort to avoid the inevitable.

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It was also a hard time for dealmakers on both Wall Street and in the City of London. Recession had made the big takeover bids, and the massive fees that went with them, extremely rare.

“It was grim at the time in Edinburgh,” recalled Mike Rutterford. “In 1992, you could stand at one end of Queen Street and you could hardly see the facade of the buildings for the ‘For Sale’ signs, and even in George Street it was very depressing. You could buy Georgian properties in Melville Street for tuppence ha’penny, but the problem was you couldn’t find tenants, and the cost of money was prohibitive.”

It was against this background, in June of that year, that Barry Sealey and Mike Rutterford met for the first time and sketched out an informal agreement to work together. This agreement would lead to the development of Archangels, though neither man had the slightest inkling of what lay ahead.

Born in Bristol in 1936, to parents who encouraged an interest in practical learning, Barry Sealey attended Dursley Grammar School before gaining a place at St John’s, Cambridge, to read natural sciences and engineering, winning the Hocking class prize for physics in his third year. Barry’s interests were more inclined towards industry than further academia and in 1958, as a result of a successful interview with the chairman, Harold Salvesen, he joined the whaling and transport company Christian Salvesen as a management trainee.

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Salvesen management trainees were expected to spend time understanding the business from the bottom up, which for Barry meant spending time at sea on the fishing boats as well as in the administrative offices of the fleet. This appealed to Barry's practical manner and reinforced his natural interest in the science and engineering aspects that underpin many businesses.

After marrying Helen in 1960, Barry continued to work his way up the Salvesen organisation in its Edinburgh head office.

This was a period of enormous change for Salvesen, as it moved into fish-freezing factory ships and land-based cold storage facilities and away from its original business of whaling. Seeing increasing potential in cold storage, in 1964 Salvesen bought a Swedish-owned cold store in Grimsby that operated alongside its own, installing Barry as manager of the combined operation.

In January 1968, Barry attended the Harvard Business School, supported by Christian Salvesen, subsequently returning to the Edinburgh headquarters and still focused on cold storage. During one of his many journeys from Edinburgh to Grimsby, Barry learned that Marks & Spencer was planning to go into frozen food and so arranged a meeting with the director of the food division, successfully selling them the Salvesen storage and distribution capability that was to support the M&S focus on quality. By 1973 Barry was on the main board and Salvesen was on its way to becoming a major player in the UK's frozen food industry.

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Throughout the 1970s, Salvesen continued to diversify, building specialised ships for drilling and exploration and oil services. During this period Barry was at the front of many of the negotiations, using both his business and technical expertise to the full. In 1981 he became the group managing director and during the 1980s led a strategic move into the USA and oversaw the acquisition of Aggreko.

In 1990, after more than 30 years in the company, ten of which were as Managing Director, Barry retired from Salvesen, leaving behind an organisation fundamentally different from the one he had joined.

Retiring at the relatively youthful age of 54, having built up a comfortable capital sum and pension, Barry might have justifiably hung up his boots. But he is not that kind of man. He was quickly snapped up to sit on various boards and, on occasion, was minded to invest relatively modest sums of money into companies that, in his judgement, both deserved and needed it.

Born in Edinburgh in 1947, Mike Rutterford spent school holidays with his family on the Orkney island of Papa Westray, where he first developed his love of the sea. After a less than illustrious school career, he joined the Merchant Navy in 1964.

After five years with the Ben Line, working as third and then second mate on general cargo ships on the Far East trade routes, he decided to seek work ashore and, at around the time of his marriage to June, took a job in sales

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with the National Mutual Life Association of Australia at its Glasgow branch. Within two months he was the top salesman in Scotland and, by 1972, had been appointed manager of the Manchester office, the youngest of 16 managers across the UK.

In 1974 he moved back to Edinburgh and set up Rutterford Ltd, an insurance brokerage. The insurance brokerage dealt with both commercial and personal clients and, as part of the natural extension of the business, Mike increasingly began to operate as a broker for mortgage businesses.

This period was the start of the Edinburgh property boom and so, in 1977, he took the next natural step and set up an estate agency, Stuart Wyse Ogilvie (a name created to appeal to an aspirational market) with June Rutterford and Charles Brien as co-directors. Mike owned 87% of the company and was very much the driving force behind this new style of agency, continually reinvesting the profits into the business. The head office showroom was opened in George Street and looked very different from the usual property-selling environments of Edinburgh at a time when houses were traditionally sold through lawyers.

Previously in Edinburgh, 'For Sale' signs were not a common sight. The Rutterfords identified this as a real marketing opportunity, ensuring that the 'For Sale', 'Under Offer' and 'Sold' signboards of the company worked as their primary sales tools.

By 1985 company turnover had risen to £1.75 million and the firm had a network of 33 offices. In 1987 it

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was sold to GA in Scotland for £16 million, with Mike retained on a five-year contract and June on three years. Both were given seats on the board and Mike became one of the five UK directors who ran the sizeable UK-wide network of General Accident Property Services.

By 1991 he felt ready to leave the corporate life and left GA on amicable terms, keen to pursue his own business interests and spend more time with his family. He took a little time for reflection then began looking for opportunities that would allow him to invest some of his money and input his enormous talent for sales and management.

Mike and Barry came from very different backgrounds. Barry was the urbane epitome of very senior corporate life, an Englishman who had adopted Scotland (and been adopted by its people), comfortable in the company of his peers and widely respected. Mike was a swashbuckler and, in his own words, “a simple crofter from Leith” who had clawed his way to the top by building an estate agency at a time when the buying and selling of houses had been the principal preserve of the powerful legal fraternity in Scotland.

The common link for both men turned out to be a Scottish lawyer, Sandy Finlayson, who had worked with them both and finally introduced them to each other on 11 June 1992 at Mackenzies restaurant in Colinton. In addition to introducing Barry to Mike, Sandy's contribution to the support of early-stage companies in Scotland stretches much wider than just Archangels.

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Sandy had studied law at Edinburgh University and became a partner in the legal firm of Fyfe Ireland, which later merged with the Glasgow firm Bird Semple. He was responsible for developing the fast-growing SME (small and medium-sized enterprises) market and began to champion early-stage companies. However, the merger of Bird Semple Fyfe Ireland was not a happy amalgamation and Sandy decided to leave in March 1993, joining Murray Beith Murray in October of that year.

But his abiding interest in young companies remained and, in 1993, he started up an informal advice network called The Business Forum where small companies could come and outline their challenges to an experienced audience who would then try and help with ideas and suggestions. It was enormously effective. Sandy was also becoming much more aware of the concept of business angels, which was emerging in the United States and he began to explore the possibilities of funding young companies through individual business angels. He also lobbied tirelessly for change to the financial regulations that made it an offence to pass round business plans, even between syndicate members. Sandy finally succeeded in this with the introduction of the Financial Services and Markets Act 2000, which introduced the concept of 'sophisticated investors' and 'high net worth individuals', which are now commonly used in all angel syndicates.

Within Murray Beith Murray, Sandy began to build a reputation for completing financing deals for young and emerging companies and brought in an associate, Stuart

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Hendry, to help with the workload. Stuart was to become an expert practitioner on these deals and Peter Shakeshaft recalls completing some 100 deals with Stuart during his time as gatekeeper of Archangels.

In 2005, the young company and its angel legal work had grown to such an extent that Sandy, Stuart and one or two others took the brave step of buying out the commercial business of Murray Beith Murray to set up their own firm, MBM Commercial, to concentrate on that market.

Sandy has always been prominent in his support for innovation in Scotland and makes time to help and advise hopeful entrepreneurs. His reputation in the market extends far beyond Scotland's borders and he is undoubtedly one of the reasons for the success and global reputation of business angels in Scotland. His early experiences with Barry and Mike, and his subsequent close working relationship with Archangels, has been key to his ongoing involvement in the sector.

Sandy would continue to be a huge influence on the development of Archangels and the whole angel environment in Scotland, but not even he, as an astute lawyer, could foresee the importance of the introduction he had just made.

Barry took the initiative after that first meeting and invited Mike to meet with him at his modest office to explore whether there were any common interests in their respective ambitions. Here were two very different personalities, both strong and confident individuals, yet

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within a very short time they found a common purpose.

Within that first hour over a cup of coffee, they reached a general agreement. They wanted to help other Scottish companies get going and they set out, on a sheet of A4 paper, the guiding principles that would become the foundation of Scotland's first business angel syndicate, Archangels, although it would be some years before either of them realised what they had created that day.

There were four basic points on that sheet of paper:

- 1 – To put something back into Scotland by investing in young people and companies, particularly those in science and emerging technologies.
- 2 – To look for investments where they could add value by passing on their own business experience.
- 3 – To have fun.
- 4 – To make some money.

A quarter of a century later, these founding principles still apply within Archangels and remain the key foundations upon which Archangels operates.

“I remember that we agreed that we had both done well out of Scotland and we wanted to put something back,” said Barry Sealey. “We agreed that one really good way of doing this would be to get involved with emerging technology companies. We agreed that we would put our own money in, but we also said we would put in our own time, effort and experience.”

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This last comment encapsulates the whole meaning of angel investing. Angel money is 'smart money'. The whole concept of angel investing is built around adding value to the company in which the angels have invested by bringing to bear the experience of the investors, introducing the company to the connections they need and effecting change when it is needed. Of course, this is beneficial to both the company and the angel investors, since 'added value' also means the opportunity of greater return for everybody involved.

So points one and two were relatively simple. Point three has often caused comment from serious investors, but, again, it is an essential part of the angel investing process. Both Barry and Mike had experienced a draining and exhausting corporate life that, although very successful, had ultimately led them to believe that life could be more exhilarating in the business environment and they really wanted to enjoy what they were doing. There would, of course, be many serious moments in the years ahead but there should and would be much time for great satisfaction in their successes and plenty of time for good-natured banter.

Point four seems obvious, but remarkably it was not, in the early stages, the driving force. Mike described making money from these investments as a good way of 'keeping the score' rather than a driving need to make money in its own right. But there is no doubt that this agreement between Barry and Mike was, when it came to deciding on any particular investment, nothing to do

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with philanthropy and all to do with the serious intent of making money, both for the investors and the founders. An early question from Barry to anybody who came with a business proposition was “How can we make a million pounds from this?” And woe betide anyone who couldn’t answer that question.

And so, from that single short meeting, Archangels was born. A quarter of a century later, Archangels is renowned internationally.