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LEADER *Taku Dzimwasha*

Welcome

During the last two decades, the business services sector has been fertile ground for private equity investment. This sector is vital to Europe's economy, accounting for 11% of EU GDP, according to the European Commission.

The business services sector is highly fragmented, comprising various subsectors such as consulting, outsourcing, marketing and technology services. This fragmentation makes it challenging for private equity firms to identify suitable investment targets and consolidate them into a cohesive platform.

In order to make a success of it, private equity investors need to conduct thorough due diligence, develop a deep understanding of the target company's business model, and implement effective strategies to drive growth, operational improvements and value creation.

In this special report, *Real Deals* speaks to key market participants to discover why business services is such an attractive sector for private equity players, and where the best opportunities lie. ●

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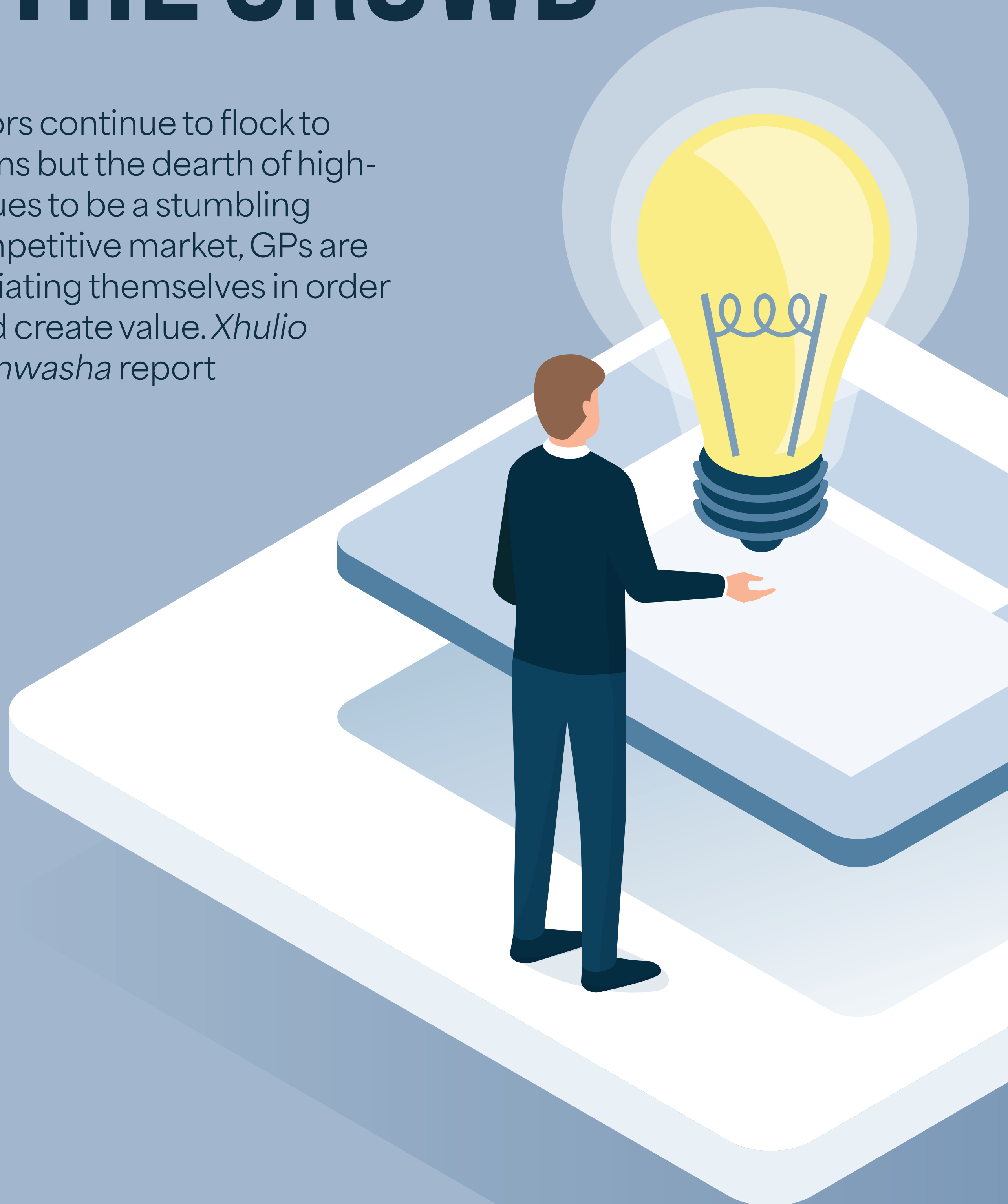
STANDING OUT FROM THE CROWD

Private equity investors continue to flock to business services firms but the dearth of high-quality assets continues to be a stumbling block. In a hyper-competitive market, GPs are focusing on differentiating themselves in order to get deals done and create value. *Xhulio Ismalaj* and *Taku Dzimwasha* report



The business services (including products) sector accounted for about 14% of private equity investments in Europe last year, amounting to €18bn, according to data from Invest Europe. This was up from €14bn – or 13% – in 2021.

The sector has long been popular with private equity investors, but has become increasingly difficult to define. The reason is that business services encompass many other sectors. So what do we mean by business services?

Tim Swales, partner at Equistone, says: "The business services sector is broad, but we typically classify it as anything that involves B2B transactions. Within this sector, there are various subsectors, each requiring different levels of expertise. In recent decades, both the investment and advisory communities have become more focused on niche subsectors, reflecting the trend towards specialisation."

The sector includes companies that offer services to other companies, such as office administration, hiring and placing of personnel, security services, travel arrangements, cleaning, waste disposal and much more.

The business services sector has during the last two decades seen changes in terms of industry drivers, according to Mathieu Paillat, partner and head of the business services team at PAI.

"In the early 2000s, outsourcing was the primary trend in business services. However, over the years, the sector has evolved," he says.

Firstly, according to Paillat, digital is now at the core of business services. Business models are being transformed through digitalisation, which is enhancing the value proposition and optimising performance. Secondly, there is market polarisation, with larger players consistently outgrowing the market. Their scale and size enable them to invest in digital capabilities and attract talent, making them a natural choice for business clients. Thirdly, consolidation is a significant trend. This involves consolidation both within individual sectors and across the whole market, including pan-European and transatlantic consolidation.

While the Covid pandemic affected all sectors, including business services, the disruption caused by lockdowns and other tailwinds has increased the attractiveness of the sector to private equity.

Paillat says: "The business services sector remains highly attractive, especially in the post-Covid era where digitalisation is accelerating, creating abundant growth opportunities. In a high-inflation environment, business services remains a resilient sector that can pass on price increases to clients without these being felt by the end consumer. In addition, thanks to their high levels of cash generation and low capex, business services companies fare well in the current debt environment, which enhances the sector's attractiveness."

A few good eggs

Business services' popularity with private equity has been undiminished over the years, judging by the inflows of investments outlined previously. However, private equity investing in the space is not without its challenges. Top of that list is the availability of high-quality assets. The competition for these firms is intense, especially if they are tech-enabled businesses or have capacity to become tech-enabled. When high-quality businesses do become available, the competition is fierce, says Stephan Förschle, partner and co-head of the business services team at Triton.

"I would say there has been an increasing appetite for business service companies, which has certainly driven up valuations," Förschle explains. "In particular, some of the tech-enabled companies have seen valuations skyrocket, up to the Covid pandemic. Although these have flattened a bit since, we have seen an overall increase across the last decade."

Private equity firms need to have a focused strategy in order to succeed, says Neil McManus, head of business services corporate finance at KPMG: "To identify attractive investment opportunities, investors should focus on businesses operating in non-discretionary spending sectors, offering business-critical services with strong cashflows and reliable recurring revenues. Additionally, businesses in markets with positive tailwinds, such as regulated industries, healthcare, SaaS, healthtech and ESG businesses are sought after. The energy services sector, particularly those involved in energy transition, is also attracting attention.

"When investing in the business services sector, there are common themes around differentiation and the right to exist and win in the market," McManus adds.

The limited number of quality assets means that private equity firms have a

choice: either get into a bidding war which could lead to overpaying for a company, or adapt their strategy. There is no one strategy that works, however.

Getting it right

Equistone has invested in nearly 40 business services firms since 2002. The GP's investment thesis is based on a three-pronged approach, according to Equistone's Swales.

He says: "We consider our previous successes in specific subsectors across different geographies. If one team has excelled in a niche area in France, for example, other teams in Germany or the UK may explore opportunities for their respective regions. Additionally, we closely monitor market trends and hot topics, as we often see clusters of deals in certain areas. And lastly, there are opportunistic situations where we might have prior knowledge of a business and believe we can add value to it, even if it doesn't align with a specific sector or trend we're pursuing."

One such business is OneOcean, a global supplier of digital navigation, voyage compliance services and data to the marine industry. Equistone invested in OneOcean in June 2016 and exited in August 2022, and during the holding period, the GP supported revenue growth from £44m to £60m.

"Our value creation strategy involves various approaches, tailored to each investment opportunity. We have an internal playbook that compiles data from previous successful endeavours across all sectors, including services. It encompasses strategies like buy and build, sales force effectiveness improvement, price-volume management, and optimising financial metrics like cash conversion," Swales says.

He explains that in the case of OneOcean, the GP focused on digital transformation and developed a software platform to automate and integrate various aspects of the business. Equistone also restructured the organisation and made strategic acquisitions to accelerate growth.

The GP also had to pivot parts of its strategy because of the Covid pandemic. "Flexibility and an open-minded approach are essential in navigating disruptive challenges, such as talent management and technological advancements," Swales says when asked how the GP overcame the difficult period.

Real Deals notes that Equistone sold its Fund V investment in OneOcean to Lloyd's Register, a global provider of maritime professional services.

Meanwhile, Triton differentiates itself by looking to buy and fix otherwise good businesses that are not performing as they should be.

"We look for fundamentally sound companies that have some issues that we can help fix, and then grow the businesses, which is somewhat dissimilar from some GPs," says Förschle. "Our strategy can best be described as buying value, fixing fast, expanding and then selling growth, enabling us to play within less competitive areas. Our aim is to professionalise those services businesses more than under their previous ownership. We also seek to accelerate organic growth through pricing, service line extensions, increasing recurring revenues and growing adjacencies."

The GP also looks to invest in what it dubs 'mega trends' in the services sector, thus benefiting from the positive tailwinds that they provide. In business services, for example, Triton is currently investing in subsectors that have exposure to sustainability and energy efficiency, safety and security, the digitalisation of society, increasing urbanisation, and infrastructure development.

The value creation strategy is multi-pronged, including buy and build. Förschle says: "Over the last decade, we've seen a shift towards having differentiated value creation plans and the speeding up of delivery of these plans to account for the increased valuations. Buy and build has been a key part of our investment theses for our services companies, and we have actively sought to accelerate the scaling of our platforms through buy and build."

Triton, along with a wholly-owned subsidiary of the Abu Dhabi Investment Authority, acquired IFCO Systems, a global provider of reusable packaging solutions for fresh foods, for $2.51bn in 2019.

According to Förschle, IFCO is a fundamentally good business with high margins, a significant European business and a growing US presence. He says: "Prior to the acquisition, the US business was only breakeven, with some issues. We worked to fix this by increasing the margin of the US business by changing the management, improving the operations at the wash centres and significantly reducing the loss of the reusable food containers. We also secured some large-scale, decisive key accounts, including winning Aldi in Europe and Walmart in the US exclusively."

Additionally, digitalisation was also a fundamental part of the value creation strategy, Förschle adds. The GP invested in automation of IFCO's wash centres and a mix of track-and-trace technology for the crates. Triton has also helped to deploy AI to create simulation models, to anticipate where and when containers will be needed by clients around the world, and the GP is analysing in which way the collected data is most relevant for the retailers. According to Triton, IFCO reported sales of €1.2bn in 2022.

Brand new day

The tech element of a services company has become ever more important, and is a key differentiator between a good business and one that is not, according to KPMG's McManus. Throughout a business service company's operating model are opportunities to find efficiencies or improvements in customer experience through the use of technology.

"What you see at Livingbridge is close collaboration between our services and technology teams, as a lot of the trends in the technology sector quickly become relevant for the services team," says Livingbridge's Matt Jacobs, the firm's head of services.

For Livingbridge, there are not any 'radically' new subsectors that the firm is looking to invest in that it has not previously considered, with the services head adding: "What we're thinking about now is how the rate of change in technology, particularly driven by advancements in AI, is going to impact different sectors, their business models, level of competition and how they deliver their service."

Andrew Poole, director of UK regulatory compliance at ACA Group, has also observed less of a subsector approach when investing in business services: "It's a case of looking at where efficiency can be achieved by using a certain amount of mechanics to streamline processes. Anything that you can extract proper data analytics from and use to really power the business forward – that's where the GPs are looking and it may not necessarily be in one specific subsector."

For the Livingbridge head, both the opportunity and threat for all business services companies is how they are using technology, claiming that some business models will become obsolete if technology is not part of their conversation.

Accordingly, Jacobs says his firm has to reason out which sectors will become more or less attractive as they are disrupted by technological changes, remarking: "There are certain areas that are clearly going to do well over the next few years, particularly around information security and managing data governance and compliance."

At Investcorp, Jose Pfeifer, head of the firm's European private equity group, says dealmakers want to see businesses that are scalable: "In services, it's often the case that businesses are not that scalable, because to sell one more unit you have to provide one more unit of labour, hours, etc. What we like, beyond that people element, is that there is some kind of a system, procedure, a 'black box' or a software element quite often, in their business model that makes it easier to scale faster."

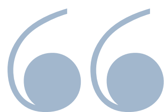
Similar factors are in play at Livingbridge, with the firm preferring services companies that are using third-party SaaS solutions as part of their tech as it makes them more scalable. "If they're relying on legacy tech systems and processes, then that's going to make scaling that business more challenging. Also, if there are M&A opportunities, then it will be harder and more complicated to integrate other companies onto outdated technology systems," says Jacobs.

"It is increasingly important for services businesses to leverage third-party technology or their own proprietary technology to give them a competitive advantage by improving the customer experience," he adds.

Pfeifer notes that firms did not always have this outlook, though, reflecting 17 years back to the beginning of his time at Investcorp: "We would actually shy away from certain subsectors within services because of features that we actually now quite like, such as asset lightness and whether they were 'people' businesses. Back then, some banks just did not like to lend into those situations because they don't have hard assets, so you would get less leverage. All of that has really changed over the last two decades; they have become very investable and we have

Over the last decade, we've seen a shift towards having differentiated value creation plans and the speeding up of delivery of these plans to account for the increased valuations

Stephan Förschle, Triton



The expectation is that pricing will, generally speaking, increase and catch up... so for GPs looking at the space right now, business services has got an attractive upside further down the line

Andrew Poole, ACA Group

become much more comfortable with walking assets."

For the right price

One of the attractive parts of business services for GPs is that companies in the sector are not, typically, facing off against the ultimate end user who faces a choice between either having goods or services or not. Companies in this sector, rather, are more flexible when it comes to pricing, helped by the lack of regulation, providing businesses with some inflationary protection.

ACA Group's Poole suspects that in the current macroeconomic environment, the real pressure for portfolio companies within the business services sector is the timing around passing the prices on. "If you're part of a portfolio that's got a load of consumer-facing or, recently, tech businesses, then those valuations have been impacted. As a GP, you might look at where you can extract value. Given more time, the growth or profit may be squeezed early to make up for other parts of the portfolio," he says.

In the context of an inflationary environment, Investcorp's Pfeifer says his firm actively looks at how it can protect its services portfolio's margins and pass on the inflation it experiences on the cost side, expanding that it aims to do this ahead of the curve instead of being reactive.

"We do like backing leading companies, so most of our portfolio companies have either number one or number two positions in their subsectors. That can make for some good pricing power and, therefore, helps in passing through the inflation that we're seeing," he continues.

But getting the timing right of when to start putting prices up and passing on costs is key. "You need to know whether you are too far ahead, otherwise it will just look like you're increasing prices for the sake of it, instead of it being done in lockstep as part of inflation prevention so you don't have to do a massive increase in six months. That's the experience that a business services team could give," says Poole.

For Triton's Förschle, one main challenge in the service sector is labour cost inflation as services businesses are, generally, people-intensive businesses: "It is important to analyse this risk before acquiring and ensure it is managed carefully during the holding period. We have worked with our portfolio companies to pass on these cost increases in a very systematic way to the client, and to ensure employees receive a competitive deal.

"One of the reasons we acquired OCU Group, which is a UK specialist infrastructure company, is because the revenues are contractually secured over a long period of time and they have an automatic inflation uplift, i.e. they are inflation-indexed."

Poole says the business services sector is at a point where, in many places, pricing has not increased, remaining behind relative to the inflation rate. "The expectation is that pricing will, generally speaking, increase and catch up. In some places, it may outstrip where inflation is or will be going forward, so for GPs looking at the space right now, business services has got an attractive upside further down the line."

Where things have slowed down, firms are looking at companies and considering exiting above further investment, says Poole. "From talking to clients and market contacts, we know funds coming towards the end of their lifecycle and are looking at the harvesting side. For many of those GPs, if they get a flat return on a business service by exiting right now, they might bite your hand off, depending on other parts of their portfolio."

COMMENT

Investment hotspots

John Clarke, from leading mid-market private equity investor LDC, highlights business services subsectors that are growing with the support of private equity

The economic contribution of the business services sector is not talked about enough. According to the UK's Business Services Association (BSA), the industry's £263bn turnover accounts for 8% of UK output and it employs more than three million people, based in every part of the country.

The sheer breadth of the sector may be why it sometimes is not viewed in the same way as other pillars of the UK economy. But while it is diverse, companies that operate in business services all serve a similar purpose. They support organisations with critical, often complex or non-core functions, creating efficiencies and freeing them up to focus on what they do best.

Based on our experience and the activity of our regional teams across the UK, we've identified two sub-sectors of business services as investment hotspots – professional advisory, and asset management and logistics.

Businesses in these sub-sectors are growing and driving M&A activity. They also tend to be more resilient, especially those that are tech-enabled. And we know, from experience, that private equity investment can significantly increase their value and deliver excellent returns for shareholders, even amid uncertain economic conditions.

Across the sector, we've invested in more than 25 business services companies since 2012, with a combined enterprise value of more than £2bn. The businesses we've exited during the same period grew revenue by 138% on average and generated proceeds of £880m. We also helped these businesses to complete 40 bolt-on acquisitions during our partnerships.

We see buy and build as an increasingly attractive growth strategy in business services, given the opportunity created by the pace of tech advancement, including the adoption of AI and IoT.

As well as improving processes and efficiency, technology is making it easier to integrate businesses once acquired.

We also know that PE-backed businesses that demonstrate their ability to make and successfully integrate acquisitions, alongside delivering underlying organic growth, attract a higher premium at exit. ●

25+
Business services investments completed by LDC

£2bn
Combined enterprise value of business services investments

138%
Average revenue growth for exited business services companies

£880m
Proceeds generated by exited business services companies

All figures since 2012

John Clarke, LDC

PROFESSIONAL ADVISORY

Professional advisory businesses are pursuing M&A activity to scale quickly and combine their capabilities, technology and people to offer a more comprehensive range of services to customers.

Independent Governance Group (IGG) is a great example. LDC's Birmingham team invested in the business in November 2020, when it was still known as Ross Trustees, to help the management team to expand their range of professional trustee and governance services.

In the last six months, the business completed a merger to become the UK's leading professional pensions and governance services provider, and made two acquisitions: Clarity Trustees, a professional pensions trusteeship and governance services firm; and Like Minds, a creative communications agency. This allowed IGG to significantly expand its network of regional hubs across the UK and offer new services to pension schemes and employers.

Speaking about LDC's investment, Andrew Bradshaw, CEO of IGG, says: "LDC's knowledge of our sector and presence across the UK has helped us to grow our business in a way that allows us to both take advantage of current increased demand for our services and achieve our long-term objectives."

ASSET MANAGEMENT AND LOGISTICS

Companies that provide equipment-as-a-service have a real opportunity to invest in the latest technology, and many are working with PE to access the funding and strategic support they need.

Cheshire-headquartered SRL Traffic Systems (SRL) invested heavily in innovation during a successful partnership with LDC. The firm's Manchester team worked closely with the business, which specialises in portable and temporary traffic equipment, to develop a targeted organic growth strategy.

Over the course of a two-year partnership, SRL opened a new innovation and technical centre of excellence, increased its manufacturing capability and moved to a new combined manufacturing base and head office. It also welcomed new senior hires and technical teams to drive new product development and the rollout of new technologies.

These steps helped SRL's management team to grow the business's revenue by 72% in two years, from £18.4m in FY19 to £31.6m in FY21. LDC exited the business in 2021, generating a 5.7x money multiple for LDC and an internal rate of return of 124%.

Richard Tredwin, former CEO of SRL Traffic Systems, says: "Our partnership with LDC helped us to achieve our ambitions and become a market leader in smart traffic technology. It was great to work with an investor with such a strong heritage in the North West and a deep understanding of the issues affecting our industry."

LDC is actively looking to invest in more business services companies and back ambitious management teams who are driving the sector forward. Read more at: **ldc.co.uk/RDbusinessservices**

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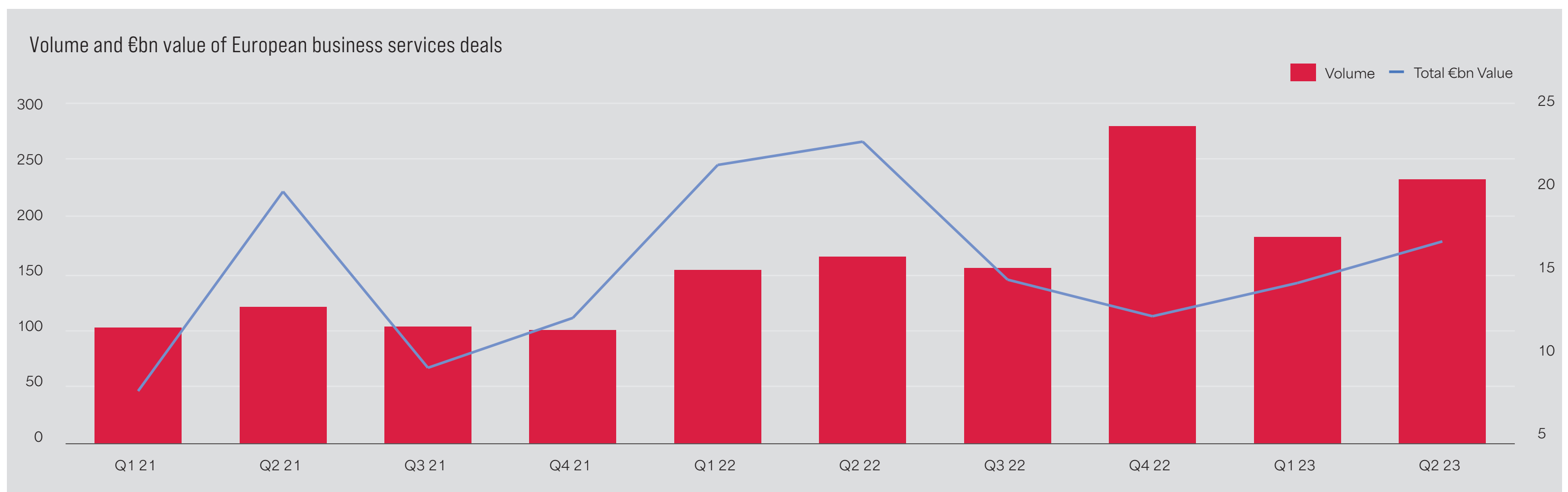
Business services sector: Digitalisation drives PE/VC dealflow

As companies across the industrial spectrum increasingly go down the path of digitalisation, dealflow in the business services space has grown, driven by outsourcers and tech enablers, as *Julian Longhurst* reports



According to the latest data from *Real Deals*' Data Hub, 1,642 investments worth more than €148bn have been recorded involving European business services-related companies between Q1 2021 and the end of Q2 2023. In volume terms, this equates to 22.4% of all European dealflow, second only to companies in traditional tech sectors. In value terms, at 23.2% of the total, the business services grouping produces the highest share of market value across Europe – well ahead of the healthcare, industrial and tech sectors.

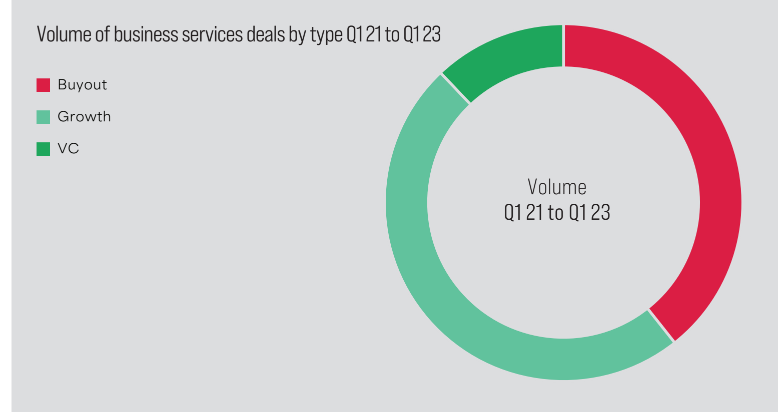
During the period, the average number of deals recorded in the sector has risen incrementally, with volumes spiking at the end of 2022 and remaining high in the first half of 2023. While part of this spike can be explained by increased research capacity in our data team, which specifically added to the breadth of VC coverage, stripping out VC deals still reveals strong growth in later-stage growth and buyout deals.

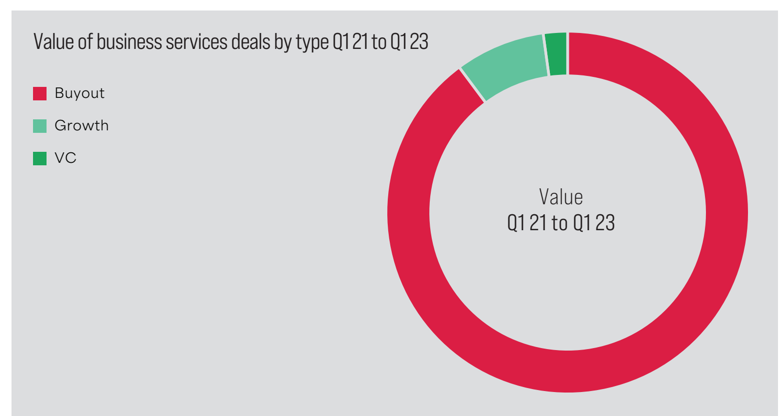
Although activity in more traditional business services areas (facilities management, logistics, construction and environmental services) has remained strong, by far the most important driver of growth in this area in recent years has been the push towards digitalisation right across the industrial landscape, which has been supported by a new wave of tech-enabled services providers and software-as-a-service (SaaS) developers.

In fact, as part of the process to curate the data for this report, the Data Hub team revisited more than 7,000 European PE-backed deals to assess whether companies would be more correctly classified as falling into the business services area, and one thing became abundantly clear: the boundary between tech businesses and service providers has become much more blurred. For the purposes of this analysis, the Data Hub team sought to separate pure software developers – including SaaS publishers – from those that also deliver some element of 'outsourced' service to users of their products.

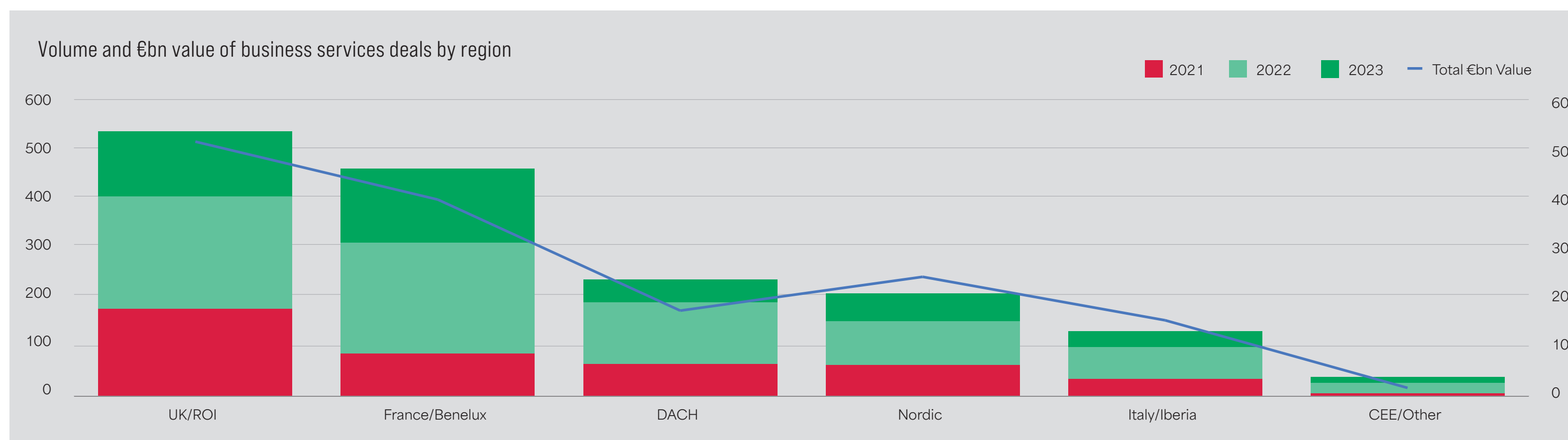
Another significant driver of activity in the space is the volume of bolt-on activity recorded during the period, as backers seek to create scale in a number of fragmented subsectors that are characterised by a large population of small businesses providing the same – or similar – services. Buy-and-build specialists such as Waterland and Main Capital figure prominently in the league table of the top business services investors (*see page 17*).

In an economic landscape beset by inflationary pressure, supply chain issues and high cost of capital, the need for businesses to maximise cost and process efficiencies is paramount, and is likely to continue to drive dealflow in this key sector. ●





1. Business services activity by European region



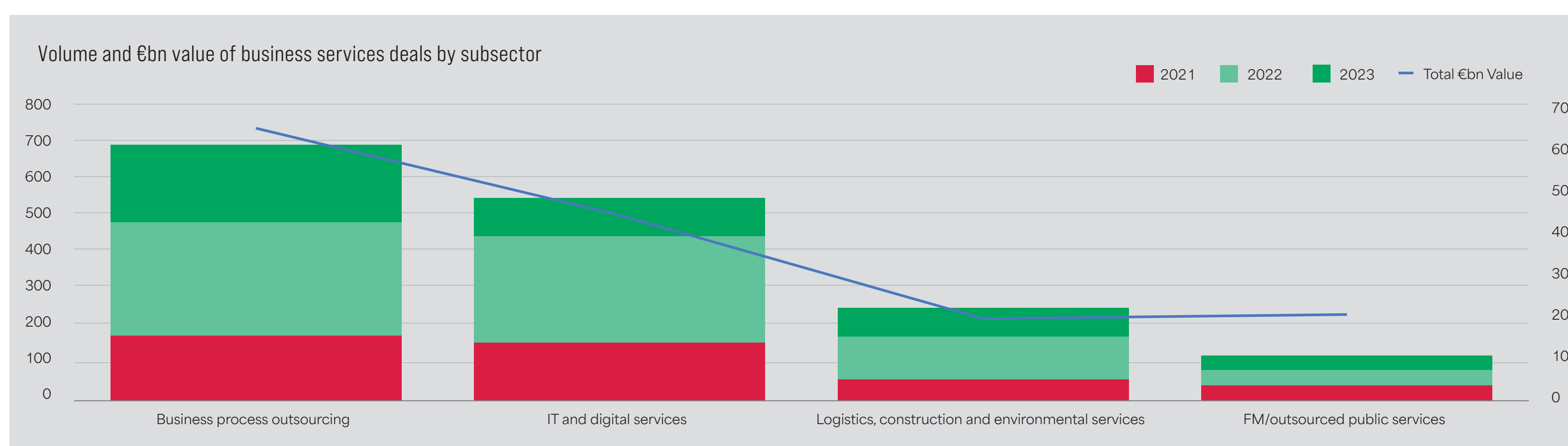
1.1. The UK/ROI has been home to the largest number of business services deals in the period covered, with 547 deals recorded equating to almost exactly a third of all European activity in the sector. It is also the leading region in value terms, with the €51.8bn of deals in the business services sector equating to 34% of the European total. Since the beginning of 2021, the region has produced well over 30 deals in the €250m+ value brackets, with 11 €1bn+ transactions providing the bulk of the market's value. The most significant deals in the space were the €6bn+ secondary buyout of Element Materials Technologies by Temasek, with other major deals including Wood Mackenzie (Veritas Capital), OCS Group/Atalian Servest (Clayton Dubilier) and ERM (KKR).

1.2. Despite lagging behind the UK/ROI in overall terms, the France and Benelux markets have closed the gap, recording more business services deals than the UK in both 2022 and 2023 to date. Overall though, the region recorded 470 deals in the space (28.6% of the European total) valued at €39.8bn. The three largest deals (all in the first half of 2022) were the buyouts of House of HR and Inetum (both backed by Bain Capital), and Worldline Terminals (Apollo Global); together they added more than €7bn to the regional total. The region also recorded a further 14 deals in the €250m-1bn brackets.

1.3. In volume terms there is a steep drop to the levels seen in the DACH and Nordic regions, with the former recording 241 business services deals and the latter 212. In value terms, the order is reversed, with the Nordic region coming out ahead thanks largely to the SBO of pest control business Anticimex by EQT, which added almost €6bn to the regional total. Other large Nordic deals (Envirotainer and Scan Global Logistics) added to the total, while the acquisitions of companies including Software AG, VFS Global, and PWC Global Mobility Tax and Immigration Services in the DACH region boosted its value.

1.4. The Southern European markets of Italy and Iberia recorded 133 transactions in the sector (8% of the total), with just two €1bn+ deals in Spain (Urbaser and KronosNet) providing the bulk of the region's total. Meanwhile, the CEE region added just 39 deals worth a little over €500m to the total.

2. Business services deals by subsector



2.1. Of the four subsectors designated for the purposes of this report, the business process outsourcing space has been the most active, with a 40%+ market share. In total, 705 deals worth about €65bn were recorded in this area. Furthermore, activity in the space has been rising sharply, with 178 deals seen in 2021 rising to 313 in 2022 and 214 in the first half of 2023. It also produced many of the largest deals including Wood Mackenzie, ERM, Pharma Intelligence and House of HR.

2.2. While the IT and digital services space has not seen the same sort of growth in H1 2023, it did grow exponentially between 2021 and 2022, almost doubling to 294 deals. In total, this subsector produced 558 European deals in the 10-quarter period, worth a total of €44.2bn. As mentioned above, the boundary between some IT and digital services companies and more pure tech players is increasingly blurred but, among the sample, the standout deals included Element Materials Technologies, Inetum and Valtech.

2.3. Of the more industrially-focused areas, the logistics, construction and environmental service space has also seen steady growth, rising from 57 deals in 2021 to 119 in 2022, and has already recorded 79 transactions in H1 2023. In all, these deals contributed €18.9bn to the total, with the most notable deals being the buyout by Platinum Equity of Urbaser in Spain, and the SBO of Danish logistics business Scan Global Logistics by CVC Capital Partners.

2.4. The facilities management and outsourced public services subsectors (here combined) produced about 40 deals in both 2021 and 2022, but have already matched that in 2023. In addition, the presence of several large deals in the sample (Anticimex, OCS Group/Atalian Servest, Biffa plc and Phenna/CTS Group), means that this space contributed almost €20bn to the European pot.

Maintaining momentum

As Fairgrove marks its 10th anniversary, partner *Paddy Woods Ballard* and director *Bhavna Dewan* speak to *Real Deals* about the evolution of commercial due diligence and why the business services sector has remained buoyant during the recent market downturn

By *Taku Dzimwasha*

Congratulations on your anniversary. What have been the highlights of the last 10 years?
Paddy Woods Ballard: The whole journey has been immensely rewarding. Setting up a commercial due diligence (CDD) boutique from scratch and growing it at 27% per annum, through Brexit, Covid and now this period of high inflation and rising interest rates, hasn't left us much time to pause and reflect!

However, building our own identity has certainly been a highlight. Everyone knows that culture eats strategy for breakfast – if you haven't got the right culture, the strategy will fail – so we are constantly balancing being a progressive, post-Covid employer with being a highly responsive, premium-quality consultancy.

As we have learned, those two aspirations aren't mutually exclusive. You just have to hire really good people, eliminate bureaucracy and trust them to be brilliant. We have developed a significant amount of our own IP but we're still a people business at heart, and our success is down to having a team of really smart, likeable, ambitious, commercially curious and practical consultants.

Good CDD incorporates a strong element of growth strategy
Paddy Woods Ballard (left)

How has CDD changed in the last 10 years?
Woods Ballard: The biggest changes have probably been: (i) an increased emphasis on strategy; and (ii) relatedly, a growth in demand for vendor-led work. A decade ago, CDD was often commissioned early in the deal process, with the primary aim being to educate the investor on the market and the asset's right to win.

That is still a key output today, but investors now have much stronger hypotheses on these topics, having looked at the transaction for longer before appointing advisers. With increased competition for good assets driving up valuations, this means there is now more emphasis on how to maximise returns. Good CDD incorporates a strong element of growth strategy, which is why our training as strategy consultants is fundamental to our ability to add value.

The second trend has been the growth in vendor-led CDD, which seeks to expedite the transaction while providing the sellers with more control. Vendor-led work often prioritises scrutiny of the downside risks associated with the investment, which is another reason why buy-side work (especially if it is 'topping up' a vendor report) will again focus on strategy and how to maximise growth.

What role has the business services sector played in Fairgrove's success?
Bhavna Dewan: Business services represents approximately 50% of our turnover. We also have a technology practice, and it is increasingly difficult to distinguish between the two, as 'tech-enabled' has been the biggest growth driver in business services during the last 10 years. Business services is so broad that you really need to market your expertise at the subsector level to cut through.

For Fairgrove, that means professional services, human capital, training, and media and marketing services. Within professional services, we then drill down into accounting, broking, consulting, legal services, energy services, property services and ESG. In the last six months alone, we've worked in accounting, consulting, employee benefits, DE&I, workforce management software and flexible offices.

All of these things are interdependent, driven by the evolution of new ways of working.

The whole services economy is converging, with technology at its centre. A great example of this is ECI's CIPHR platform, which recently acquired Marshall E-Learning, an online training provider with particular expertise in DE&I training. This is classic convergence – HR, payroll, training and culture all coming together on a single software platform so that the proposition becomes less about functional silos ('we can do your payroll') and more about a holistic proposition ('we can look after your people'), with provision being either software-only, or on a managed service or consultancy basis.

Which business services deals have caught your eye during the last 10 years?
Woods Ballard: Tenzing's investment in FMP Global, and its subsequent exit to IRIS at 5.4x, was a great example of an investor identifying opportunity in a seemingly mature market. FMP had found a high-margin sweetspot, supporting businesses that were trying to manage payrolls in multiple countries for the first time. The largest players in the market were slower moving and weren't set up to deal with the complexities of multiple small country payrolls. The business grew strongly organically and Tenzing turbocharged growth with several bolt-ons.

Where should PE firms be looking to find value in business services today?
Dewan: Businesses with recurring or repeating revenue models such as accountancy are attracting interest, as are businesses delivering regulatory or compliance-related services such as fire and security services including testing. For non-recurring revenue businesses, those that serve more resilient end markets such as renewable energy and healthcare are attractive, as are those with skills in growing functional areas such as data and automation (including AI), cyber and ESG.

IN ASSOCIATION WITH

GROWING BUSINESS AWARDS 2023

Honouring the UK's most outstanding entrepreneurs and high-growth businesses

29 NOVEMBER 2023
MARRIOTT HOTEL GROSVENOR SQUARE, LONDON

Shortlist announced!

Handpicked by Real Deals' editorial team, we are delighted to announce the shortlist for the 26th annual Growing Business Awards. It now falls to a panel of expert entrepreneurs and industry-leaders to decide the winners.

Join the UKs fastest-growing SMEs and celebrate their strength, vision and resilience over the past 12 months.

See the shortlist at
growingbusinessawards.co.uk

For more information and table bookings, visit **growingbusinessawards.co.uk**, email **gba@realdealsmedia.com** or call **+44 (0) 20 7360 3460**

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CONNECTING THE DOTS

The Covid-19 pandemic caused untold disruption to the global supply chain. But with disruption comes opportunity for private equity. The logistics and supply chain management subsector of business services has emerged as a resilient and attractive target for private equity investments, reports *Shivani Khandekar*

Within the business services sector, GPs have since the Covid-19 pandemic put their capital behind logistics and supply chain management firms. The subsector is appealing because of its traditionally non-cyclical nature, meaning there are no surprises when GPs invest.

According to a report by the law firm White & Case published earlier this year, logistics services, cargo, freight and drone drop-off services businesses saw private equity investment increase. Globally, such deals backed by PE accounted for $84.7bn in value last year. So what's contributing to this uptick?

Tried and tested

Mid-market private equity firm MML Capital Partners currently has two logistics companies in its portfolio but has backed several more since the GP's inception three decades ago.

"The logistics and supply chain management subsector has been growing consistently over the last couple of decades, both in terms of volume and value, following the increase in global trade," says Louis de Montille, director at MML. "We view the sector as very resilient – after every macro crisis, there comes a lull in the market, but that is temporary because there's a big catchup afterwards, which more than balances the impact."

MML's most recent investment in the space was the add-on acquisition of UK-based freight forwarding company Active Freight. The bolt-on was made by its portfolio company LV Overseas, a freight forwarding and door-to-door logistics company that was acquired by the GP following 21 France Invest's exit in January last year. The firm also has French circular logistics player GPS in its portfolio, in which it invested a year ago.

White & Case's research also supports an analyst report by financial data platform PitchBook. The report points out how disruptions to the supply chain – in the form of the pandemic, exacerbated by war in Ukraine and lockdowns in China – created bottlenecks but also an immense opportunity for investors to back logistics and distribution service providers that sit at key points of the supply chain.

Jinny Choi, the author of the study and an analyst at PitchBook, explains what might be driving activity in the subsector: "There has been increased interest and urgency to strengthen and transform the supply chain, given the incredible scale of disruptions in recent years. Companies and investors are re-evaluating the strategies in the industry and finding opportunities to drive operational growth, add capabilities, or scale businesses."

Choi adds that in Europe, investment could be driven because of nearshoring (which brings production to countries closer to home) and reshoring (which brings production to companies' domestic locations) pressures that were heightened by pandemic-triggered supply chain disruptions and political tension. "Those looking to increase control of supply chains can turn to investments that would support nearshoring and reshoring. The conflict in Ukraine and the additional pressure it puts on supply chain strength can fuel deals related to reshoring," she stresses.

Choi also echoes Montille's thoughts by underscoring how logistics and supply chain will continue to be in the spotlight

in the coming years. She explains: "[Logistics and supply chain] will be key areas going forward, as long-term improvements will be necessary for what will continue to be complex global supply chain operations. Improving supply chain visibility and resilience will remain a priority for companies, to reduce disruptions and associated costs – an area investors can benefit from."

Bucking the trend

The current market conditions have been challenging for various sectors, especially those that are directly linked to discretionary spending. In that context, private equity players say the logistics space has managed to keep its head above water. BaltCap, a private equity firm investing in the Baltic region (Estonia, Latvia and Lithuania) recently completed its first ever deal in the subsector - the take-private of UK-based integrated freight management company Xpediator.

For the generalist investor, the acquisition represents its maiden logistics investment, however, the GP has been constantly monitoring the space and looking for the right opportunity, partner Šarūnas Alekna tell *Real Deals*. Alekna's comments underscore the fact that sponsors don't want to be left behind when it comes to capitalising on the most promising trends.

He elaborates: "While we took over only recently, the company has had a strong start to 2023 despite a challenging market environment. Generally the market has been affected by slowing economies, cost inflation and decreasing freight rates, but over the last few years, asset-light freight forwarders are better insulated against these challenges as the need for effective transportation solutions remains high."

Other GPs also agree. CEE-focused private equity firm Enterprise Investors observes that logistics as a sector has always and will continue to exist, whether we buy something online or offline. "But what's most difficult in logistics is the last mile. Which is why we think it makes sense to focus on the things which are most difficult, because if somebody does the most difficult part right, it constitutes a true barrier to entry for other players," partner Michał Kędzia says.

Kędzia alludes to the firm's latest transaction in the logistics space – an investment in Goodspeed, Poland's largest provider of highly specialised temperature-controlled logistics services for ready-to-eat meal producers.

The part of the logistics industry that attracted the GP to Goodspeed is the last-mile logistics of controlled temperature and the B2C aspect of it. Kędzia observes: "The trend of having home delivery of everything has grown tremendously in the past couple of years, worldwide. We are only jumping on the bandwagon and trying to capitalise on this trend."

It is also worth noting that both BaltCap and Enterprise Investors operate and invest in regions sharing close proximity to Ukraine and Russia, which have been the epicentre of the disruption in the supply chain for close to 18 months now. While it is not yet clear if their investments will offer some resolution to the distressed supply chains in the region and beyond, it appears that GPs are slowly warming up following the succession of market shocks that have struck in the past couple of years.

Kędzia says: "We have been living in a world of disrupted supply chains since 2020 when the pandemic started. Keeping that in perspective, the Russia-Ukraine crisis seems to be yet another shock to supply chains that were already massively disrupted over the last three years. I believe a lot of industries have learned the lesson that one cannot rely fully on a container on a ship that will sail over the course of a couple of weeks – that is not the perfect solution for anybody and is something that is now fuelling the nearshoring trend."

Trends and tailwinds

While logistics is not an untapped segment of business services, GPs that *Real Deals* has spoken to believe it would be "truly interesting" to see participants finding profitable niches with high barriers to entry.

These so-called profitable niches could exist in several forms, as MML's Montille points out. From having a low-carbon impact on climate and gas emissions from shipping in planes or trucks, to digitalisation by helping clients track goods all over the world using live information – the logistics space is brimming with innovation. The market is evolving fast, supported not only by strong fundamentals but also these innovation and ESG improvement trends, which private equity must continue to focus on.

Despite being a mature industry, logistics has portrayed itself as a dynamic market that is constantly developing, so private equity's best players will have to demonstrate agility in deploying capital to support emerging business models.

Technology and sustainability within logistics are coming to the fore as potential areas where private equity can contribute to creating value. On the macro side, the rise in e-commerce will continue providing new opportunities for logistics and last-mile deliveries, as economies readjust in a post-pandemic world.

BaltCap's Alekna also emphasises that the evolving geopolitical situation is likely to drive the shortening of supply chains and nearshoring, providing tailwinds for regional operators, therefore supporting the views expressed by Kędzia and Choi.

It is also important to note that logistics and supply chain are still viewed as a highly fragmented market, meaning there's a lot of consolidation work to be done – a gap that PE players could capitalise on.

In recent months, BaltCap has seen a lot of consolidation in the maritime transportation segment, where large trades are driving consolidation. Indeed, companies engaging in maritime traffic management, for instance, and services for the marine industry, have also welcomed private capital in recent months.

Experts suggest that investment opportunities in the space don't appear to be a temporary pandemic-driven trend. As PitchBook observes, modernisation and long-term improvements are being seen as imperative, so companies in the logistics and supply chain sector will need to prepare themselves – creating growth opportunities that PE firms can take advantage of. ●

A lot of industries have learned the lesson that one cannot rely fully on a container on a ship... that is not the perfect solution for anybody

Michał Kędzia, Enterprise Investors

Service with a smile

The UK B2B services sector offers a winning combination of revenue resilience and significant value creation opportunities, says August Equity partner *Kishan Chotai*

By *Amy Carroll*

Buy and build represents a key part of all our B2B services value creation plans
Kishan Chotai

Why is B2B services such an important sector for the UK economy?
Kishan Chotai: B2B people-centric services lie at the heart of the UK economy, accounting for more than 10% of GDP and 15% of employment during the past decade. Furthermore, going back as far as the 1800s, many of the world's best-known B2B services companies, including PwC, Slaughter & May and Intertek, originated in the UK. The UK is also often at the forefront of global regulation and other business evolutions, which means UK B2B services companies typically grow bigger and more quickly than their counterparties elsewhere.

What tailwinds is the sector currently experiencing and why is it such an attractive space for private equity at this point in time?
Chotai: When we talk about B2B services at August, we are talking about mission-critical outsourcing and compliance-led services. There has been a huge amount of regulatory change since 2008, which has increased compliance burdens on businesses, especially SMEs, and created opportunities for specialists that can help businesses navigate ever more complex rules.

As a result, B2B services companies typically have stable and resilient characteristics, including high proportions of recurring revenues and high margins. And, because the UK does tend to lead the way on new services, there are also lots of opportunities to expand geographically as national regulation is adopted in other jurisdictions.

Is the sector also facing challenges?
Chotai: Like many sectors, the primary challenge that B2B services companies are facing today involves talent attraction and retention. These businesses rely on the quality of the individuals that deliver for their clients. Most of those individuals are highly skilled, with qualifications, so finding and keeping those employees is critical. A skills shortage is the most significant challenge that we see.

What role can technology play in value creation strategies in this space?
Chotai: We see technology as critical to value creation in all of the sectors we invest in. In B2B services in particular, people are the biggest asset that companies have. Anything that can be done to help automate tasks and speed up processes adds value to our businesses – routine, mundane tasks can be automated, providing greater variety and job satisfaction for those who work in these organisations.

In addition, technology can be a differentiator for clients. Last year, we partially exited our ISO certification business, Amtivo. The tech platform that we invested heavily in during our investment period removed the need for Amtivo's SME customers to use expensive third-party consultants, making the service a lot more accessible. So, we see technology as both a retention tool and something that can provide a competitive edge with clients.

Is this a sector that presents consolidation opportunities?
Chotai: Absolutely. Buy and build represents a key part of all our B2B services value creation plans. Acquisitions can create scale, expand service offerings and provide geographical expansion. However, cultural fit is essential in any M&A strategy. Without that alignment, it can be difficult to maintain the high level of client service necessary to be successful in the sector.

To give you an example, we invested in the professional services firm AAB in 2021. Since then, AAB has completed eight acquisitions: three to expand geographical reach; two to provide additional expertise and resource in markets already covered; and three to add service lines not previously offered. While that might seem like a lot of M&A, we have also turned down more than 20 other opportunities because the cultural fit or the ambition of the team did not match our own. Buy and build can create a lot of value but if it isn't done right, it can also do the reverse and erode value, as well as acting as a drain on management time.

How significant is internationalisation as a source of value creation?
Chotai: UK business advisory and compliance services have always exported well. The UK is a global hub for a number of multinational businesses, which means you can scale by offering existing clients services in new jurisdictions. ISO certification, for example, is international by definition and Amtivo expanded into more than 30 countries during our four-and-a-half-year hold. The scale of that international ambition was the primary reason that we reinvested when we exited to Charterhouse last year.

What do you think it takes to be successful as an investor in B2B services?
Chotai: We strongly believe in doing the hard yards before approaching any business. We have an in-house origination team that helps identify adjacent investment opportunities to where we have had success in the past – for example new regulations or challenges that businesses are struggling to manage internally. We then build an investment thesis on that sector by market mapping the entire landscape, speaking to experts in that market and our own network, from past and current investments, before approaching any individual companies and building a relationship with the management team.

AAB is a case in point. Prior to our investment in 2021, only one or two other private equity houses had invested in that sector. Since our investment, a dozen platforms have received PE backing. We are big believers in being early movers and identifying the best assets. It also allows us to embark on acquisition and internationalisation growth strategies before others try and replicate what you are doing.

IN ASSOCIATION WITH

Building business service champions

Julian Longhurst digs into *Real Deals'* Data Hub to find the most active GPs in the business services sector during the last 10 quarters

Although definitions of the business services sector differ from GP to GP, many of the most established European investors have a specific focus on the space, with significant resources available to invest. As is mentioned in the main Data Spotlight (*see pages 10-11*) a significant portion of the activity in the business services space comes via bolt-on investments, where GPs are looking to combine multiple businesses in fragmented markets to form regional or international champions.

A case in point and one of the most prolific investors in the sector is Dutch buy-and-build specialist Waterland, which leads the way (ranked by number of deals and then by estimated total deal value). Among its most significant deals in the space were the acquisitions of accounting, advisory and consultancy firms COGEP Group in France and Moore Kingston Smith in the UK, as well as the German transport and logistics provider Duvenbeck. However, Waterland is at the top of the table largely due to its level of bolt-on activity, with 12 of its business services investees completing about 20 add-on investments in the period.

Where UK mid-cap specialist LDC is concerned, the primary acquisition to bolt-on ratio is more skewed towards the former, with significant business services investments in the likes of advertising services provider Blis, trusteeship and governance services provider Independent Governance Group, and the online employment services provider Horsefly Analytics. That said, nine of LDC's business services investees completed at least one bolt-on in the 10-quarter period.

Another UK mid-cap stalwart, Palatine Private Equity, is high up on the league table mainly because of its level of bolt-on activity, which accounts for 19 of the group's 26 deals. Among Palatine's notable platform investments in the sector was sustainability consultancy Anthesis, which it backed in 2021, facilitated multiple (publicised) bolt-on acquisitions and then sold to Carlyle in July 2023 for about £400m, netting a 6x return. Palatine has also backed FourNet – a provider of digital transformation services – and workforce solutions provider Skills Alliance.

While Bpifrance's activity in the business services sector is spread widely among different investment strategies, from very early stage through to growth and some later-stage situations, the next two on the league table are both core European mid-market players. On one side is IK Partners, most of whose deals in the space are platform acquisitions, including the significant buyouts of CONET, Batisanté, Renta Group and Skill & You. On the other is Dutch IT and IT services specialist Main Capital, which focuses very firmly on the buildup strategy; 15 of the 21 deals recorded for the GP were bolt-on acquisitions.

The remaining GPs in the top 20 include some of Europe's premier mid-market and upper mid-cap players, such as Triton, Equistone, Ardian, Astorg and Inflexion, which together have many billions of euros ready to deploy in the business services sector, among others. ●

All PE/VC-backed deals

Investor name	Deals backed
Waterland	28
LDC	28
Palatine Private Equity	26
Bpifrance	23
IK Partners	21
Main Capital	21
Andera Partners	20
Horizon Capital	20
Triton	18
Equistone	17
Ardian	16
Segulah	16
Astorg	15
Ufenau Capital Partners	15
Inflexion	14
21 Invest	14
BGF	14
Keensight Capital	13
Aurelius	13
MML	13

METHODOLOGY *Real Deals'* editorial and data focus is primarily on the European mid-cap space. While we strive to record all deals, exits and funds that come onto our radar – irrespective of size (above €1m) or type – the rankings in these league table are not intended to be comprehensive. Nevertheless, they will provide a strong indication of activity levels among those listed. In cases where investors invest in multiple strategies via separate teams, we have sought to combine them under one 'brand'. The data available is obtained from many sources, much of it publicly disclosed by participants. While we make reasonable efforts to ensure the data is a fair reflection of transactions that have taken place, by the nature of the data used *Real Deals* Media Ltd makes no representation or warranty as to the accuracy or completeness of the data included and accordingly accepts no responsibility or liability in respect of the accuracy or completeness of the information (including in respect of any errors or omissions), or for any of the analysis or opinions contained herein, or for any loss however caused relating to this information.

DEALS IN FOCUS

FPE executes buyout and merger of ERP software businesses

David Barbour explains the investor's increasing interest in enterprise resource planning assets

5
The deal is the fifth acquisition from FPE's Fund III

3
FPE has made three software investments from its latest fund

28
Elevate2 has a presence in 28 countries, prior to the FPE-backed merger with NoBlue

By *Shivani Khandekar*

FPE Capital has led a simultaneous buyout and merger of two UK Oracle NetSuite partners, NoBlue and Elevate2.

Speaking to *Real Deals*, David Barbour, managing partner at FPE, says: "We continue to see a real macro opportunity in the ERP software sector as enterprises move to these products to enhance efficiency. A recent market study by Altman Solon has shown that ERP penetration in the UK is only 28%, versus 38% across Europe."

As a software specialist investor, the GP said it continues to see resilience in the B2B software sector, driven by the "strong return on investment for enterprises and evidenced by organic revenue growth in our own portfolio of 30% in the last 12 months".

This investment is the fifth from FPE Fund III, which closed on £185m in May last year. In total, the vehicle is aiming for 10-12 investments.

The combined business now trades under the name NoBlue2. Ian Irwin, founder of NoBlue, will become CEO of the group, with Alex Lester, founder of Elevate2, becoming COO, FPE said in a statement.

FPE Capital, which invests in UK- and Ireland-headquartered software and services companies, has backed several enterprise resource planning software and services businesses. Using the fresh cash, the combined business is now planning to invest further into application development and related services, and to scale the business further internationally.

NoBlue has focused on Oracle NetSuite since 2011. The company has offices in the UK and Europe, and customers around the world. It supports digital transformation, for ERP, customer relationship management and professional services automation. The company serves software, fintech, wholesale distribution, professional services and retail.

Elevate2, founded in 2015, is the largest independent NetSuite Solution Provider headquartered in London. It also supports other business applications including Oracle Fusion, Salesforce, Microsoft Dynamics, SAP and Sage. Elevate2's client base comprises fintech, blockchain/web3, financial services, professional services, media and publishing, and hospitality.

The FPE investment was led by partner Dan Walker, and investment managers Harriet Hunt and Harry Gill.

FPE was advised by Stephenson Harwood (legal), Graph Strategy (commercial due diligence), Crowe (financial and tax due diligence), Tax Advisory Partnership (tax structuring) and The Continuum (management due diligence). The shareholders of NoBlue were advised by Myerson (legal), while Elevate2 took advice from Herrington Carmichael (legal).

FPE sourced both opportunities through its in-house origination team and both were bilateral and exclusive to the firm. ●

Investcorp takes SEC Newgate majority stake for c.$100m

Investcorp principal Benjamin Marino reveals that conversations with the portco began two years ago

$100m
Investcorp has invested c.$100m into SEC Newgate

55%
Investcorp has acquired a 55% stake

$250m
The acquisition values SEC Newgate at $250m

By *Xhulio Ismalaj*

Investcorp has agreed to invest c.$100m for a majority stake in SEC Newgate, acquiring a 55% shareholding.

The deal follows conversations that the investment firm started with the portfolio company's founder and CEO Fiorenzo Tagliabue two years ago as he was looking for a capital raise, Benjamin Marino, principal at Investcorp's European private equity team, tells *Real Deals*.

"Back then, SEC Newgate was still below our target size range. But since its delisting from the London Stock Exchange in March 2022, it has grown rapidly including through transformational acquisitions. Because we admired the company and had already started the dialogue some time ago, we were pleased to be able to pick that dialogue up again after the company had grown into our size range," says Marino.

The deal values SEC Newgate in excess of $250m, and is expected to close between Q3 and Q4 of 2023, subject to customary regulatory and closing conditions.

As part of Investcorp's acquisition, existing shareholders in the business – its CEO and wider management team, alongside Three Hills Capital Partners – will all roll over c.100% of their equity investment.

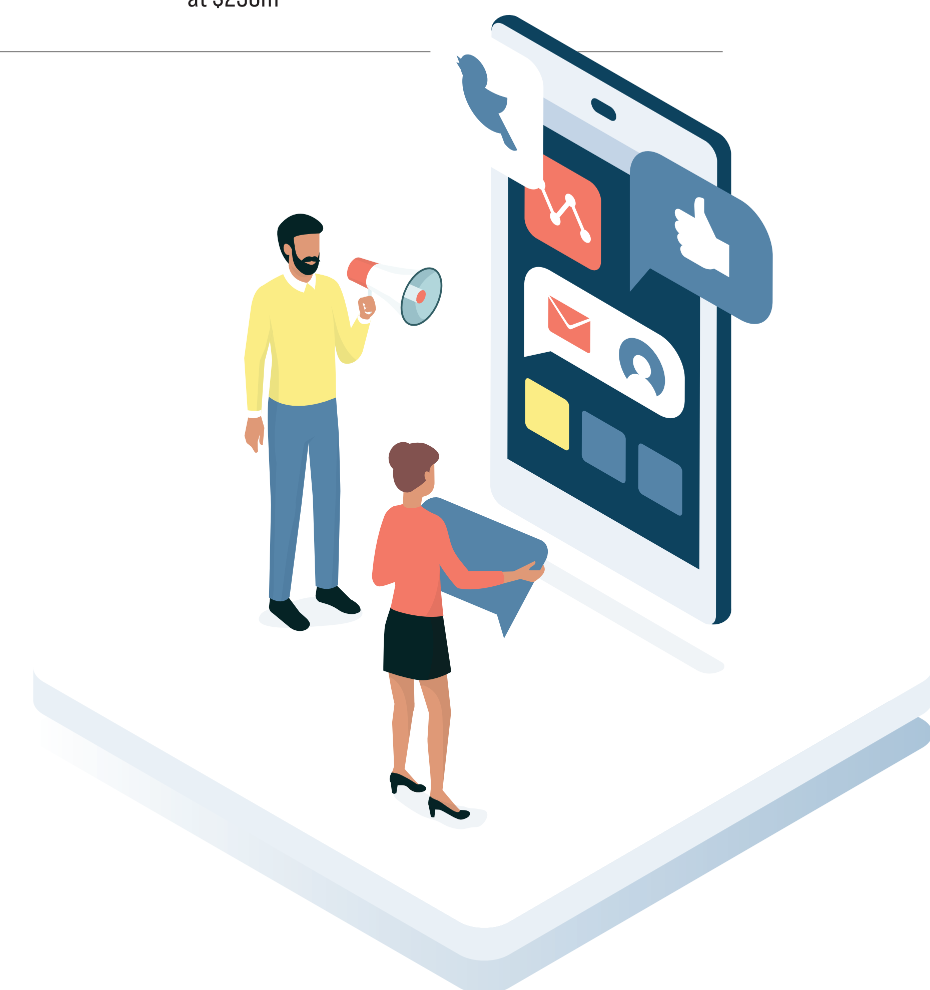
Headquartered in Milan, SEC Newgate is a global strategic communications and advocacy group. On the London Stock Exchange delisting, its founder implied the experience was "not positive", as its capitalisation just over a year ago was at $28m, a stark undervaluation when compared to this deal.

Investcorp's investment comes at a time of heightened private capital interest in the communications industry. KKR, for instance, recently took a stake in PR firm FGS Global.

"Stakeholder engagement is a high priority issue for organisations. The link between strategy and communication is only becoming stronger. So, communicating effectively with stakeholders has become critically important," says Marino. "In a sense, increasingly, every company is becoming a media company, every company has a story to tell and stakeholders to engage with."

With its investment, Investcorp is providing SEC Newgate with a capital increase to fund M&A and greenfield developments, focusing on geographic expansion in EMEA and the APAC region.

The principal adds that SEC Newgate has positioned itself in the market as a "global boutique", combining local expertise with global coverage. In order to meet that claim, the company's strategy has been to add on companies that could complement the geographic footprint of the group, so that the coverage is global but, at the same time, has expertise at the local level.



As part of the deal, Tagliabue will remain CEO, while Nicola Ferraris, Investcorp European PE managing director, will join SEC Newgate's board.

To ensure you keep up to date with our comprehensive, daily coverage of European private equity deals, head over to ***realdeals.eu.com*** and subscribe to our dedicated newsletters.

ORGANIC GROWTH

Organic growth is a key part of successfully building portfolio companies. *Jennifer Forrest* examines two standout examples of recent successes within the business services sector

The Goat Agency

INFLEXION PRIVATE EQUITY PARTNERS

Tom Pemberton, partner and head of consumer

The Goat Agency was founded in 2015 as a London-headquartered social media and influencer marketing agency.

The Inflexion team first met with the business towards the end of 2019, having identified the digital and social media space as the place to play within the global advertising market.

We acquired a significant minority shareholding in the business in March 2021. While the company was growing rapidly with a strong UK market position and a presence in the US, the founders were looking for an experienced partner to help support the international growth opportunity they had ahead of them. They saw Inflexion's conviction, sector knowledge and international experience as key differentiators.

ADDING TO THE TEAM

As a people-driven business, a key element of our investment was to put in place the systems, processes and structures to support the growth agenda. We started by appointing an experienced sector chair through our talent team and their network, and then set about the challenge of sourcing the right talent with relevant experience in data and tech. During the course of our partnership, headcount grew by about 40%.

GROWTH IN THE US

The business already had a presence in the US prior to our investment, but we looked to accelerate growth there. Having helped a number of our investments to expand successfully in the US, we had experience to draw on to support the team with the lessons we'd learnt. We appointed a senior external hire to lead this area of the business and ultimately increased US revenue by more than 150% during the two years we were invested in The Goat Agency.

DATA-RICH OFFERING

As with so many of the businesses we back, we also looked at driving the data side of the business. The company had a rich dataset built up from all the work it had done in the past, through thousands of social media posts and campaigns, so there was a huge opportunity to make even better use of this data and drive even better client outcomes. We made a significant investment into the technology, which delivered improvements in The Goat Agency's use of software and data, in particular automating data ingestion and improving the client-facing front end. This made the platform more insightful, creating a simpler user experience for employees and ultimately driving improved return on investment for The Goat Agency's clients.

After a two-year holding period, strong interest led to the sale of The Goat Agency to WPP, a marketing and communications agency with a global presence. The impressive growth journey accelerated by our minority capital led to an 80% IRR for investors.

2x

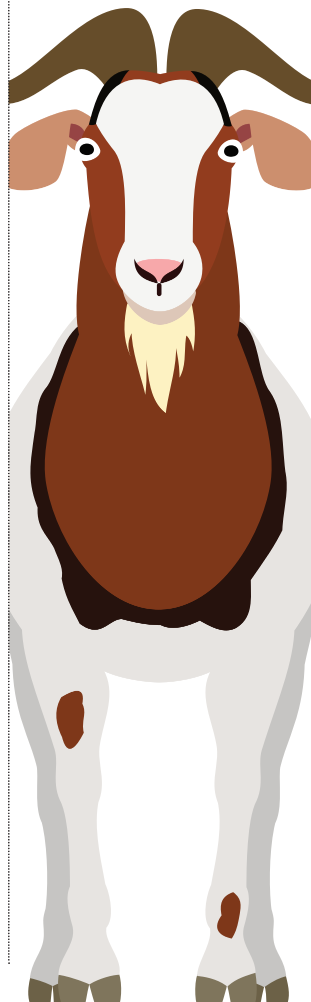
Revenues in the US market more than doubled during Inflexion's investment period

80%

The sale process achieved an IRR of 80%

x3

Overall Ebitda more than tripled in just two years



Onventis

MAIN CAPITAL PARTNERS

Sven van Berge Henegouwen, managing partner

Onventis is a Stuttgart-headquartered cloud-based software provider for procurement processes for B2B businesses. We acquired a majority shareholding in the business out of a short sale process in mid-2019 from our €240m fifth fund.

RECURRING REVENUE

Already in 2019, the company's procurement network was deployed on a modern cloud platform tailored to the needs of mid sized companies. Together with the management team, we focused on capitalising on the SaaS business model and growing the recurring revenue base. As such, we actively de-emphasised less attractive non-recurring pricing models and expanded the partner network, in order to create a more scalable organisation. These strategic initiatives laid the foundation for accelerated and healthy profitable growth. As a result, during our investment period, the company developed into an attractive rule-of-40 company, while simultaneously growing its share of recurring revenues.

Onventis had a broad product portfolio geared to the requirements of the mid-market, although there were some white spots that we felt we could support the company in strengthening or filling in. We added to its capabilities in accounts payable automation, expense management and spend analytics functionalities. This means the business could cross-sell and upsell opportunities, ensuring they were also sold into the existing customer base in Germany.

INTERNATIONAL GROWTH

We then looked to international growth. The business had a strong presence in Germany in 2019, but lacked a meaningful international footprint. We were able to grow the client base outside of Germany into the Nordics and the Netherlands, with a local presence in both geographies. Towards the end of our investment period, we began building up an office in Austria too. The business historically had a small Austrian client base, so there was definitely potential to expand on that further. Eventually, Onventis evolved from a Germany-focused business towards a pan-European leader in procurement software.

IMPROVED OPERATIONS

At first, the CEO was heading up operational sales of the business himself. As it grew, we expanded the management team. This resulted in an organisation that could also operationally scale even more. For instance, for the sales function, we promoted a driven salesperson who initially led the German sales team, but later became responsible for the group sales. We onboarded sales-driven directors for the group's Benelux and Nordics operations. All of this took some of the operational burden off of the CEO so that he could refocus his concentration on the whole group.

We sold Onventis in January 2023 to Keensight Capital in a secondary buyout transaction.

2x

Revenues more than doubled during Main Capital Partners' holding period

100k

Onventis has grown its user base from 350,000 to 450,000

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Marriott Hotel Grosvenor Square, London

SHORTLIST ANNOUNCED!

Handpicked by *Real Deals*' and *The Drawdown*'s editorial teams, we are delighted to announce this year's shortlist. It now falls to a select group of outstanding ESG professionals to decide the winners.

See the shortlist at: rdesgawards.com

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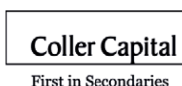

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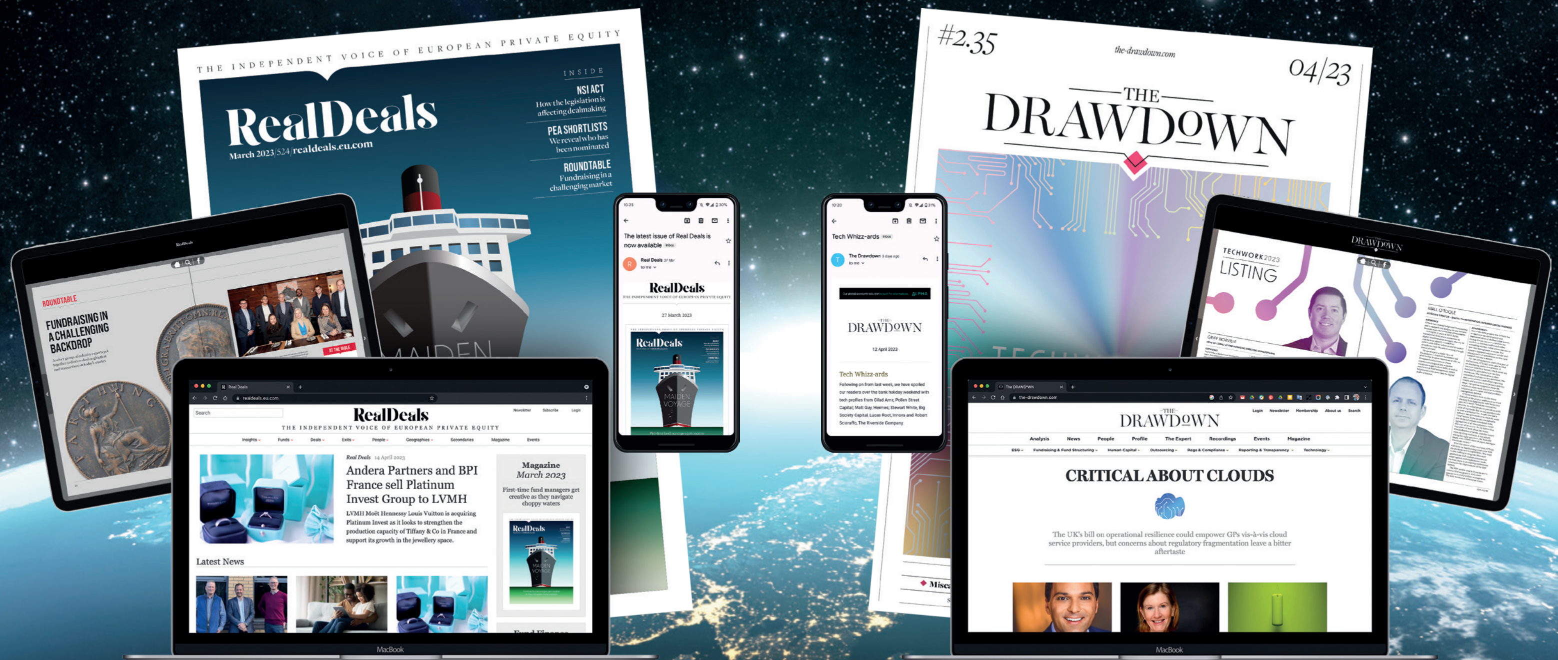

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