

EXECUTIVE PERSPECTIVES

Clarendon Executive Announce Partnership with Beltrae Partners

The Opportunity to Have a Share in The Business You Manage



The opportunity of owning a shareholding in your company, whether you are the manager or a key employee, is the dream of many leading business executives. However, relatively few executives ever get the chance of owning a meaningful shareholding in their business via a Management Buy-out (MBO). Therefore, many executives are keen to seek the next best alternative which is to find a Management Buy-in (MBI) opportunity in which they lead a new management team that acquires a business alongside a Private Equity investor.

Beltrae Partners Ltd ('Beltrae') (www.beltrae.com) is a Belfast and Dublin based Corporate Finance advisor and Private Equity investor that specialises in creating local MBI opportunities. The Beltrae model is to originate transactions, and, critically to back each MBI project with its own money. Beltrae have backed MBI candidates in the acquisition of a variety of companies ranging from engineering to renewable energy and from distribution/retailing to food production.

Ian Kerr, a founding director of Beltrae, says, "We work with a range of potential MBI candidates. Our key differentiation, from others in this market, is the ability to source good acquisition opportunities through our contacts and corporate finance network, allied to our willingness to invest our own capital in the acquisition".

Beltrae deliberately take a low-key approach to potential MBI transactions, and strict confidentiality is taken very seriously, as discretion and trust are particularly important to prospective MBI candidates, many of whom are already working in high profile management roles.

There are no absolute rules in this niche area of Private Equity, and it is true that every transaction has different characteristics. The ideal MBI candidates tend to come from a variety of professional and management backgrounds. However, the key qualities that Beltrae seek in a candidate can be summarised as:

- The MBI candidate has a track record of growing a business i.e. he or she has "market led" experience rather than an internally focussed management role
- The candidate is someone who can 'roll-up their sleeves' and get things done on a Sales or Operational basis rather than simply being a good delegator.
- The candidate is motivated by the one off capital gain opportunity through equity ownership and by the unique chance to control his or her own destiny
- The candidate is prepared to invest a material amount of their own money to acquire a shareholding in the business, albeit it is recognised that the different parties in any given transaction will have different resources.

Clarendon Executive Selection has referred a number of top quality executives to Beltrae as potential MBI candidates. Ciaran Sheehan, managing director Clarendon, commented that "not all senior executives are suited to being an MBI candidate but where we have identified a suitable candidate we are very happy to refer them to Beltrae as we know for sure that the confidentiality of the candidate will be respected".

The process and time taken to finding and then executing the right acquisition can vary enormously.

For example, Beltrae worked with James Toland for a year before they assisted him in acquiring a renewable energy business, Invisible Heating Systems Ltd. This process involved an aborted acquisition of another company when due diligence uncovered significant issues, and Beltrae and James collectively decided to withdraw when the risk/reward nature no longer stood the test. James commented "before embarking on an MBI transaction you need to be prepared for the time it takes to find a really good business and then negotiate and structure the transaction to give confidence to all the stakeholders. Beltrae advising hugely eased this process, and was an extraordinary learning experience as much as the wonderful opportunity to complete an MBI"

Conversely, John Weatherup's experience was much shorter, "I was contacted by Beltrae to say they had agreed to acquire a foodservice business for which they thought I was the ideal MBI candidate. Within a matter of four months I was the managing Director and a significant shareholder in The Brunch Box Sandwich Company Ltd, a contract sandwich and snack manufacturing business, employing over 40 people".

However, as Ian Kerr points out "finding and executing the acquisition is only part of the journey – we then have to make a success of the business, with a view to all shareholders selling the business at some point in the future". Beltrae do not have a prescribed exit time horizon, as they are not investing money from a formal fund that needs to see a return within a certain deadline. In reality, however, 5-7 years is the typical expected time from investment to exit.

During the period of ownership, Beltrae take a seat on the board, along with the management team. Beltrae may also suggest bringing in an additional Non-executive director, someone who can add specific industry sector expertise. The board's objective is to provide strategic direction and good corporate governance (e.g.) financial reporting, for the benefit of all stakeholders.

Brian O'Kane, managing director of Kitchenmaster Ltd, comments "it has been invaluable to us having the input from one of the Beltrae executives at a non-executive director level – they have challenged us, and also opened doors to new potential customers and assisted in a variety of areas of the business".

Commenting on the current market conditions, Ian Kerr says "we see this as a time when good businesses can be acquired at sensible prices. Our strong track record and relationships with bankers and the funding community has meant that we continue to be able to raise appropriate bank facilities that enable buy-out structures to work" "The acquisition of Invisible Heating Systems is proof of this - the transaction was completed in late-November 2008". In conclusion Ian Kerr commented, "We continue to seek further corporate acquisitions in this market and therefore would like to meet with prospective MBI candidates that wish to have a slice of the equity action".

If there are candidates who wish to have a confidential meeting with Beltrae then they should contact in the first instance Ciaran Sheehan at Clarendon to set up a meeting.