

# International growth

**The benefits of growing internationally have long been extolled. Whether increasing revenues, diversifying clients, gaining proximity to suppliers – and possibly buyers – the benefits are tangible. Inflexion have identified internationalisation as a key value driver, delivering over 150% growth in international revenues from entry to exit on its recent realisations.**

In January 2013 Inflexion became trailblazers in the mid-market by announcing an on-the-ground presence in three key growth markets: Brazil, China and India. Inflexion's in-country experts boast a powerful combination of relevant experience in scaling businesses locally as well as globally. At that time, Inflexion's portfolio companies were doing business in over 70 countries, but they were confident that on-the-ground talent could expand their horizons further. And it has – today, the Inflexion portfolio sells into more than 110 countries.

## Partners in driving global growth

While many firms utilise consultants to assist with overseas opportunities, Inflexion are able to truly work alongside companies, meaning they can execute as well as consult. "Rather than just introducing opportunities, we also advise on risk and how to reduce it because we are genuinely aligned with management," explains Xuan Ye, Inflexion's in-country expert based in China. "We can provide a very different and very real point of view by being on the ground. We have local connections but with a global outlook."

Frédéric Junck, Inflexion's in-country expert based in Brazil, backs this up: "We help businesses to scale by looking for real, long-term ways to grow profits."

This alignment means working very closely together. Take for instance K2 Partnering Solutions, a provider of outsourced IT consultants. The firm had targeted Latin America as an attractive new market, however establishing a presence would eat up precious time and be a distraction from growing in its core markets. Fortunately, management were able to utilise Inflexion's presence and expertise to its advantage, enabling K2 to pursue the opportunity rapidly with the support of Frédéric, who is also assisting with strategic add-on acquisitions.

International acquisitions can be an appealing expansion tactic giving the opportunity to acquire staff and market share simultaneously. Here Inflexion have proven experience in

assisting with identifying targets, conducting diligence and negotiating in a manner mindful of local customs. Scott Dunn, a luxury travel

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business, was already global by nature, but Xuan was instrumental in sourcing and diligencing the recent acquisition of Singapore based Country Holidays (see page 8 for more on Scott Dunn).

## Powerful local networks

Some successes are less strategic and more operational, with client introductions a powerful tactic. For example, Inflexion organised two trips for NPW's management to the Middle East, arranging over 25 meetings in four days with top retailers and distributors. This was possible given the contacts of Inflexion's India in-country expert Rohit Hegde. NPW's trips have already generated orders from some large companies, with Kuwait and Saudi Arabia next on the list. Rohit also organised two week-long trips to Australia, which have also generated substantial sales. "It is about human connections; about creating opportunities through meetings," Rohit stresses. "Anything a business wants to do in India, we can help them to do it."

The difference warm introductions can make is also illustrated by Halo Technologies. The compatible optical transceivers supplier met with 24 potential clients in major data centres and telco operators over the course of a week in India. One meeting was with Reliance Jio, the country's largest 4G provider. "If we can get even a tenth of their business, it has the potential to double Halo's sales," Rohit explains. Rohit also recommended setting up a Marketing team, which has since been put in place.

"These are the types of things companies can do themselves. They have excellent insight and

ideas, however the question is really one of priorities and resource. Finding a partner with the right experience and contacts can really accelerate things," Xuan points out.

Half a decade after Inflexion launched their global presence, it is clear that scaling internationally is a lucrative exercise. In 2017, Inflexion have helped their portfolio companies complete 12 international add-on acquisitions. Currently more than two thirds of Inflexion's portfolio have international sales, accounting for an average of 50% of their revenue. Within this, around 40% comes from the US, one third from Europe and the rest from other global markets.



## Kynetec: Thinking globally, acting locally

In May 2016, Inflexion backed the carve-out of the specialist animal health and agricultural data research divisions from Frankfurt-listed market research organisation GfK and launched it as Kynetec. Management were looking for a partner to help with new product development and geographic expansion, and Inflexion's international reach made them a good fit. Frédéric utilised his two decades' experience helping foreign businesses establish in Brazil to help Kynetec set up there, whilst allowing the team to operate out of Inflexion's São Paulo office in the interim. This enabled Kynetec to pursue the opportunities in the Brazilian market immediately, unencumbered by administrative constraints.

## NPW: It's who you know

Not all market entry strategies involve opening a local office, so when collaboration is the chosen route, Inflexion can provide invaluable support. Giftware retailer NPW was already a global business when Inflexion backed it in 2012. Successful in the US, Europe and UK, the company had struggled to penetrate Brazil. "Brazilian consumers are less willing to buy Chinese-manufactured products," Frédéric explains. Rather than give up on the sizeable market, Inflexion helped NPW to reconsider the opportunity. "Brazil is one of the largest cosmetics markets in the world, and the rich diversity of people makes it a great opportunity for retailers." So NPW is now pursuing a measured expansion into this market. "We are helping drive NPW's strategic redirection; I don't know of any other private equity firm so closely involved with the strategy of a company" Frédéric adds.

The local presence doesn't just mean local expertise, but also local contacts. Were NPW decided to sell into China, Inflexion were instrumental in gaining access to the market, with Xuan recruiting a local business development manager. They agreed that seeding the NPW brand in China would be too resource intensive so opted to secure a distributor rather than open a local office. Inflexion scouted a number of options and together they chose a distributor who was already selling big-brand children's trainers but looking for add-on products to increase the offering. The fit was perfect and the deal was signed; NPW aims to reach sales of £3m in China in three years' time.



## Inflexion's in-country experts support business in a number of ways

Support required	How Inflexion can help
<ul style="list-style-type: none"> <li>&gt; <b>Business development</b></li> <li>&gt; Market intelligence and analysis</li> <li>&gt; Client identification and lead generation</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Local market knowledge and well established, far-reaching industry networks</li> <li>&gt; Identification of potential clients and local partners</li> <li>&gt; Sourcing and screening of distributors</li> </ul>
<ul style="list-style-type: none"> <li>&gt; <b>Management and cultural</b></li> <li>&gt; Setting up and overseeing an international office</li> <li>&gt; Cultural and translation services</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Experience in local entity set-up</li> <li>&gt; Sourcing and managing personnel as required</li> <li>&gt; Guidance on cultural norms</li> <li>&gt; Conflict mediation and cultural risk management</li> </ul>
<ul style="list-style-type: none"> <li>&gt; <b>Acquisition assistance</b></li> <li>&gt; Target search</li> <li>&gt; Operational due diligence</li> <li>&gt; Negotiation support</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Extensive on-the-ground search, network and diligence capabilities</li> <li>&gt; Face-to-face interaction and relationship building</li> <li>&gt; Local project management</li> </ul>
<ul style="list-style-type: none"> <li>&gt; <b>Manufacturing and logistics</b></li> <li>&gt; Logistical support</li> <li>&gt; Component sourcing</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Locating and establishing manufacturing base</li> <li>&gt; Product sourcing assistance</li> <li>&gt; Local government lobbying</li> </ul>