

Transformational acquisitions

Businesses can be transformed through thoughtful M&A. Whether to expand geographically, gain market share or access new products and clients, the right acquisition can turbo-charge growth.



Inflexion have helped businesses grow for 20 years, and M&A is one of our core value creation strategies. We've supported over 200 add-on acquisitions, with 54 in 2018 alone. Doing this right is resource-intensive, not just in terms of the funding required to facilitate such deals, but also the time taken to adequately assess the opportunities, negotiate the transaction, and then integrate the businesses after the deal is done.

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Halo Technology is the world's leading third-party optical transceivers business, serving blue-chip customers from its supply facilities and sales offices in the US, Europe and Asia.

Halo was created in late 2017, when UK-based ProLabs acquired California-based AddOn Computer Peripherals. Inflexion backed the deal just six months after its initial investment in ProLabs, allowing the business to enhance its value early on.

"The merger was truly transformational," enthuses Matt McCormick, CEO of Halo. "We immediately became the world's largest and only truly global provider of transceivers in a \$6 billion market where businesses typically sell in a single region. Overnight we had offices in the US and Europe."

Indeed the deal created a business with an expanded geographic footprint as well as complementary client bases; it also tripled the business's EBITDA.

"With both businesses retaining their identities post deal, it is business as usual for our customers, though we gained some immediate benefits. We are now able to cross-sell products across a larger and broader client base, and we have the leverage of combined buying power, meaning we can be more efficient with material costs."

As the combined entity grows organically and beds down, it will also look to further M&A. "We spent the first year post-deal professionalising, integrating and fortifying the business, including bringing in a new CFO and on-boarding some strong distribution partnerships in the two locations. We now have a strong foundation to enable future acquisitions."

Matt is confident Inflexion will be a crucial part of any future deal. "Inflexion are able to recognise an asset which exhibits restraint from partnership or debt and then come in and find a solution for it and ultimately extract a lot of value. Their investment thesis was really sound and they've executed it very professionally. They also absolutely get the people side of M&A. I hadn't been interested in previous conversations about selling, but I spent a lot of time speaking with Jon (Ma) and Abhishek (Majumdar) and they put the pieces together and convinced me to do a deal."

Halo now has an active pipeline of opportunities sourced jointly by management and Inflexion in a number of geographies, with Inflexion's in-country experts proving helpful in Halo's international expansion. "We pioneered our office in India because of Inflexion. We worked with Rohit (Hegde) to get an office as well as a sales director and sales leader who are spearheading our campaign." This commenced less than a year after Halo was created in late 2017. "Inflexion's in-country experts provide an increased level of confidence for international growth. Rohit's vast experience and in-depth understanding of the region and how business is done in India gave us the opportunity to go into that market and build a business opportunity with a decreased amount of risk because we had a relationship with a local, on-the-ground individual. We're now working with Inflexion's Frédéric Junck to do the same in South America. It's early days but it's clear that Inflexion provide that route to access."



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Having built **Huws Gray** from the ground up, Managing Director Terry Owen recently doubled the size of his business with the acquisition of Ridgeons – but he's still looking for more.

Terry Owen has been in the builders merchants' trade since the 1970s. By 1990 he'd created his own business with the support of a colleague, a lorry and a computer. Often working from 5am to midnight in the early days, Terry got to know every aspect of the business, from the sales ledger to accounts.

He is adamant that profitability is and always has been key. "We started with four employees and took it to the limit before taking on a fifth. We really controlled costs as we understood we had to generate a margin. Our first acquisition became profitable fairly quickly. Another add-on opportunity came along a year later, and another a year after that. It became like a bit of a drug." By 2017 Huws Gray had 62 branches.

Despite its fast-paced growth, Terry was aware of the importance of succession planning. Having spurned an approach from a national, Huws Gray sought an alternative road to flourish.

"We ended up with Inflexion because of the people there. We met with Stuart (Robinson) just after finishing a difficult meeting with another investor. Stuart made us comfortable straight away, and made it clear he truly knew our business. We knew immediately he was the right partner. Inflexion have been very pragmatic in their approach, very easy to deal with and we have built a very good relationship.

Since the April 2018 partnership, Huws Gray has been able to look for larger acquisitions. "The transformational acquisition of Ridgeons in the south helped us double in size overnight; had we remained independent, we'd not have achieved it. Inflexion gave us the confidence and support to pursue that."

There are likely to be more add-ons along Huws Gray's journey. "In our sector, there are over 2,000 independently run builders merchants and you get the feeling they're all for sale. There's the opportunity to become another national in the country. Despite this, we may now be the only merchant out there growing their business through acquisition, with the Huws Gray platform in the north and Ridgeons platform in the south. The only boundary for us is the shoreline of the UK, so the opportunity is fantastic."

