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'THE STRONG ARE GETTING STRONGER'

Insider's Finance Conference returned for the second year and our panels for the event brought together chief finance officers and finance directors, chief executives and managing directors of some of the region's fastest-growing companies together with top advisers

KEYNOTE

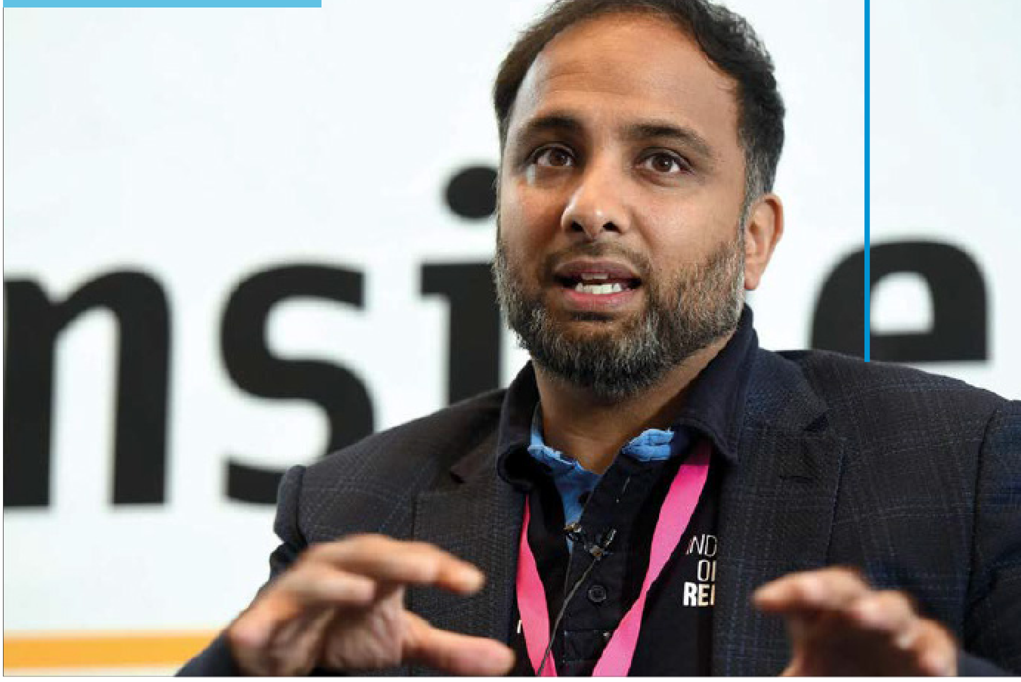
Imran Hakim chief executive, Hakim Group

THE BUSINESS LEADERS

Jon Davies chief finance officer, fulfilmentcrowd
Simon Hobbs chief executive, Kinaxia Group
Dave Holden director of finance and corporate services, Manchester Central Convention Complex
Victoria Stewart chief finance officer, Alchemist Bars & Restaurants

THE FINANCIAL ADVISERS

Amie Norris partner, Pinsent Masons
Robert Jones managing director, DC Advisory
John Clarke investment director, LDC North West
Ravi Anand managing director, ThinCats


Imran Hakim

The conference began with three concurrent workshops as business leaders gathered to debate their growth challenges and financial strategies in the coming year. Some of the findings from the workshops were then presented to the two panels later in the day.

Before the panels the audience heard from Hakim Group chief executive Imran Hakim whose company has one of the most ambitious growth strategies of any British company.

"Since Covid, we have acquired a business every four days," he tells the audience.

Hakim's business model surrounds the acquisition of independent opticians.

He says: "We are a group of independent opticians working from a multi-site, multi-brand model across the UK and Ireland. We deliver eye and hearing care across the country."

The average age within the industry, as Hakim points out, is people in their 50s. So over the next decade proprietors would be looking at a succession plan.

He says: "I am an optometrist by profession and opened my first practice in Bolton where I'm from. I started from scratch and the reality is after 12 months, it was doing about 43K turnover. It was challenging trying to acquire customers. I got the opportunity to buy a second generation, tired optician.

"We were able to re-energise it and improve the profit and loss. So I realised there was the opportunity to grow quickly by acquisition, which I repeated.

"Some of our brands have been around since the 1800s. One of them did Ghandi's glasses. We have a practice in Cambridge that's been there since the First World War.

"They become a brand in the local community. You build loyalty with the clinician who looks after you."

Discussing funding his first acquisition, he says: "I come from a working-class family background. I funded my first location with a £2,000 loan from my father. It was beg and borrow from family and friends. The owner

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PANEL ONE THE BUSINESS LEADERS


Dave Holden


Jon Davies


Victoria Stewart


Simon Hobbs

was quite tired and just wanted someone to look after the team, the patients and the ethos of the company. I agreed to pay him over 12 months, learning the notion of deferred consideration and earn-outs.

"Because of the economies of scale it is now a very cash-generative model. The cash from the acquisition went back into the acquisition pot."

Discussing making more acquisitions than possibly the rest of the sector put together, while keeping the legacy of the target companies, he says: "If you are one of the business owners, you get up every day for 30 years and you are really proud of that name over the door. The last thing you want is for someone to come in and take the name off and paint it purple, and what you have been building to be gone in a heartbeat."

Hakim Group has taken private equity (PE) investment. Hakim says this is not for everybody – but in his case it was the right funding solution. "We did our first private equity deal in Covid – a surreal experience," he says. "Up until that point I had owned 100 per cent of the business. We took a minority partner to help organise the entrepreneurial spirit for the next phase of the journey. They have been the right partner at the right time.

"It wasn't just about valuation. It was about someone we felt a great chemistry with. We are big on values and culture so I needed to believe they shared our values and they have embraced it. So it has made for a really

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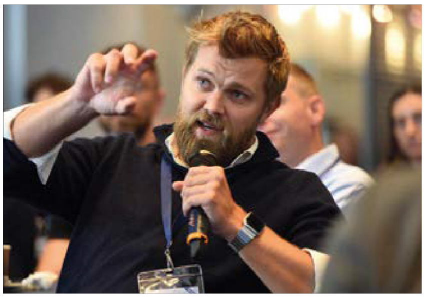
> **Imran Hakim**
> Hakim Group



good marriage. We had a number of offers but we were very careful to ensure that cultural fit. You hear about some of the more difficult stories. I have friends who took PE and their journey hasn't been as rosy. It has usually been because the fit wasn't right."

He emphasises the importance of retaining the original brands, saying: "There are no plans to homogenise the brands. We manage a multi-site, multi-brand business. If you went into any of our locations, you wouldn't know it was Hakim Group. We are strong in B2B [business to business] but not known on the high street.

"Our biggest achievement has been the leadership cascading across the business.

"In the last few years we haven't always been in the same location either. That leadership allows us to be agile without losing the DNA of the business.

"As we look at internationalisation it's about internationalising our leadership. It's a fragmented marketplace globally."

'Crafting a long-time story'

Jon Davies explains the unique model of fulfilmentcrowd and its potential for growth internationally: "We started more than 30 years ago, building our own software support stack. We quickly realised that to scale the business we needed to get into the fulfilment side and utilise our tech. We have a warehouse in Chorley but we also have our partner network of other warehouses across the UK that we don't own but we can utilise the capacity. We have bases in Europe and America. We try to put customers in the right place."

Earlier in his career he previously worked for ITC Travel Group where he experienced a private equity model, with investment from NorthEdge. He says: "Their support was invaluable. They were always on hand to answer our calls. It was a supportive sounding board. A PE brings professional-isation. And that's what BGF has done for fulfilmentcrowd. It's not just about an exit. It's crafting a long-time story."

Fulfilmentcrowd was a family owned business and it was right for the family to take some money off the table, he says.

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PANEL TWO THE FINANCIAL ADVISERS


Aimee Norris


Ravi Anand


John Clarke


Robert Jones

Prior to Fulfilmentcrowd Davies was at Victorian Plumbing when it listed. He says: "The IPO [initial public offering] process is quite heavy. The challenge was that sense check every day on how well you are doing from the stock market. Victorian Plumbing went straight from owner-managed to IPO."

Kinaxia, like Hakim Group, is based on a buy-and-build model and, like fulfilment-crowd, is in logistics.

Simon Hobbs explains: "We are in the logistics supply chain. Distribution, warehousing and co-packing. We started our acquisition journey in 2012 with a company called Bay Freight in Stalybridge. Between 2012 and 2019 we made 13 acquisitions – family owned, profitable. I can relate to everything Imran said on the culture – the values, the legacy. We have just gone a different route on brand. The hardest challenge I've had since 2020 was not meeting the team for a year.

"Our goal is to keep the values of a family owned business but with standardised systems like warehouse management systems but also ESG [environmental, social and governance] policy which is critical in our industry. Without losing the agility and entrepreneurship of a family business, we are beginning to rebrand."

Hobbs emphasises that the business will always have the family name somewhere. "It is branded Kinaxia, but it will have the family name in the family typeface above it," he adds. "It's all about culture. If we brought in

> "If we brought in people with an ego it would crash the business."
>
> **Simon Hobbs**
> Kinaxia

people with an ego it would crash the business. That balance is the hardest challenge.

"We are not private equity. We are funded by debt. By the end of the year all our warehouses will be on the same system. Then 2024 is all about growth. We are looking to go international."

Victoria Stewart says Alchemist is constantly innovating to stay ahead of the competition and has also gone international: "For us it's all about our cocktails, innovating and keeping that point of difference. We have to keep moving, we can't stay still. Last year we also relaunched our design concepts. You have to keep evolving to stay ahead of the pack. "

She says Alchemist was founded by Living Ventures "which was a brilliant ideas factory" that had [restaurant] Australasia, the Oast House, The Botanist and Gusto in its portfolio.

"They had brilliant ideas but couldn't quite scale them," says Stewart. "So they brought in private equity. Palatine bought the Alchemist and brought in a professional structure with me as the chief financial officer. It was about building a support structure. That's where I came in. It was also trying to put process in place. It was a business that had been run on instinct."

An example of this is where to site new Alchemists. In the past it may have been done based on experience and gut instinct, but now a metric is needed. And this strategy is not confined to the UK.

Stewart says: "We recently opened our first overseas Alchemist in Berlin. It came about after one of our contacts said he would love to open an Alchemist there. Berlin now is where Manchester was when we opened in 2010. They have some high-end cocktail bars but they don't even seem to have a bar group. We got a lot of help from Germany Trade and Invest.

"That's what private equity can bring as a benefit. We looked at a few options and landed on international growth. We got a piece of work done by Manchester University which looked at macro-economic factors, consumer data and Germany came out as top country on the list.

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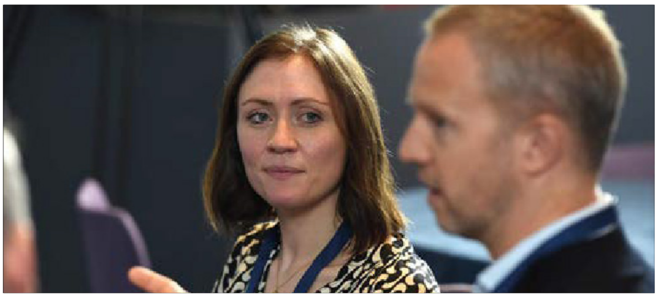


Dave Holden, director of finance and corporate services at Manchester Central, talks about the venue being used as a Nightingale hospital during lockdown and how this has changed the model. “We built studios,” he says. “And hybrid is here to stay. Today is evidence of that,” he says referring to the conference being live-streamed as well as attended in person.

Competitive advantage

On the ‘professionals’ panel, Amie Norris of Pinsent Masons, says when it comes to dealmaking, it’s about “starting early, making sure contracts are in place and getting your house in order from the start”. She adds: “If you can show you have been compliant for years it’s a better story to tell investors.”

Discussing the competitive advantage artificial intelligence (AI) can bring, she says: “We have been using AI in the legal profession for a number of years. ChatGPT has brought generative AI to the forefront. We use it for data extraction. We can now do in weeks what would have taken months. It’s a start but you still need to check it. We are seeing clients use it in similar ways.”

> “When you are asked to pitch, the easy bit is value, the hard bit is culture.”
>
> **Robert Jones**
> DC Advisory

Robert Jones, of DC Advisory, reflects on some of the key messages of the workshops, emphasising the importance of culture. He says: “When you are asked to go into a company and pitch, the easy bit is value, the hard bit is culture. You are going to be on a journey for three to five years so the cultural piece is important. With ESG we have to think about people’s jobs. If we went onto autonomous vehicles, people would lose their jobs. It’s the same with shifting supply chains. If we bring them back to nearshore, then all of a sudden people can’t afford the product.”

John Clarke of LDC says despite a tough couple of years for dealmaking, the outlook is still bright. He says: “There’s still a desire to invest, and a desire to take investment on. Processes are taking longer. So trying to understand the risks businesses face is harder than ever. We are investors of businesses and managers of businesses. Our deals done are comparable to any time in the last two years.

“Investment is all about alignment. You have to respect each other and deliver in what you are here to do, but equally we are shareholders with the aim of creating value.”

Ravi Anand says that like private equity, Thincats invests in people.

He says: “When we are looking at funding a business we ask ‘what are the people like?’ We are backing management. Most of the businesses we lend to don’t have assets.

“The reason we exist is because banks by and large want to lend against assets. It’s a quasi-PE mentality, we are buying into growth. We are backing an entrepreneur capable of running that business. We package debt structures that suit the business.

“My view on buy-and-build is that the strong are getting stronger. There will be a lot of pain next year.” ■