Creating a Culture for Buy & Build

Russell Wilcox, CEO of the private equity backed Clarion Events, reflects on some of his early M&A deals to share what he learnt in the process. **Mary-Anne Baldwin** reports

The UK events business, Clarion Events, sits in a pond fit for fishing. The top ten players in its sector constitute only ten per cent of the total market share, while 70 per cent is made of individual entrepreneurs or small businesses, of which there are tens of thousands.

"Buy and build is long established in our world as it's a hugely fragmented market," explained **Russell Wilcox**, the company's CEO.

"It's a constant part of what we do. About 50 per cent of our board's time is spent on inorganic growth and we have a dedicated team whose job it is to source, target and plan for those opportunities. That's important because of the 15 deals we've done in the last two years, more than 10 of them have been off market."

Backed by the private equity house, Providence Equity, Clarion is well equipped to take advantage of that market, both at home and abroad.

Its operating characteristics also support the buy and build model. The company, which has 800 employees, took a revenue of just under £200 million last year and according to **Russell** rarely spends up to five per cent of it on capex.

Criticaleye asked Russell to join its recent Private Equity Retreat 2017 to share some of what he's learnt during Clarion's buy and build journey.

Cultural Integration

One of **Russell**'s fastest growing acquisitions has also been one his more tumultuous. The deal was struck back in 2010 when **Russell** was relatively new to the business and with perspective, feels he approached the opportunity a little over zealously.

> *"Off market deals mean we can get more time with management and really understand their business"*

"I wanted to get the deal done quickly and in hindsight I didn't talk through the post transaction integration or strategy enough with the vendor. When she came into the business and acknowledged the reality of how we felt the business should evolve and grow, she hated it," he revealed.

"We also just didn't understand enough about the company and the capabilities of the middle management team. We got on with the vendor and our interactions became focused on getting them over the line, but we should have spent more time observing those lower down the business. We later found the management team had to be replaced."

Learning from this situation, the CEO has since devised a way to assess a management team before investing in them. He qualified: "We bring in someone to deliver sales or management training to the team of the company we're looking to buy. That allows us to observe how they act in a relatively normal environment without the pressure of a deal, and we can then have an honest conversation with the vendor about them."

Russell explained that regardless of how much due diligence a company carries out, cultural integration – both at a senior leadership level and further down – is much less traumatic if you pay in some of your time. People want to know how things are going to change, that means sitting down and reassuring them.

Management Expectations

The business that **Russell** bought in 2010 for £900,000, which at the time was generating less than £150,000 in EBITDA, is now turning over more than £2.5million. Its profits are ten times higher than at the time of the deal. The 'secret' **Russell** surmised, was patience, but it helped that he is sympathetic to the management team's drive for a personal return.

Two years after the acquisition, it had taken such a dip it fell into negative figures. That's when the seller was due for her earn out. "She would have walked away with nothing but we gave her a side payment, which meant she left with good blood between us and that message got through to the team. Sometimes you have to go off-piste to ensure good vibes and positive energy. This stuff matters," **Russell** explained.

"There are examples of management teams at other companies being turned over during the course of an earn out >

or deferred consideration and they've been left with either nothing, or much less than they believed was right. Word of that gets around and I can't see the point of it."

Clarion is sensitive to the knowledge that owner vendors will rarely let go of their business if they feel their team won't be looked after. Even those wanting to get out quickly don't want their business and brand to be trashed.

"We have a reputation as a good buyer and as being a good home, which is important in a competitive market with plenty of private equity money and acquisitive strategics. It's nice to be able to say with confidence to a seller: 'Here's a list of every person we've done a deal with. Give any one of them a call'," **Russell** explained.

Relationship Building

No matter which businesses you've bought, your greatest assets will be your reputation and relationships. Knowing this, **Russell** has a team naturally equipped to protect and build it – they reflect his own amiable character and authentic approach.

"My chairman, who I superseded, heads the business development function here, and epitomises the skillset our team needs," **Russell** shared. "He's a great avuncular figure, part mentor, part football mate. He'll make friends with everyone in the room because he's so personable. We need people who can connect like that.

"Similarly, our head of integration was chosen for the role because he is a fabulous cultural ambassador with a high level of EQ. Quite frankly, we've tried the alternative. For some time, we had someone in that role who you could describe as a typical private equity guy – the type with an MBA but not a lot of EQ. Despite really understanding the model, it just didn't work out. We struggled to bond with sellers, and the give and take of integration became much more problematic."

Having relationship builders among the team provides an opportunity for them to really integrate themselves into the target acquisition and fully understand what they're buying. **Russell** clarified: "Off market deals mean we can get more time with management and really understand their business in a less filtered way, which is often what you get with brokers. We can then paint a picture of what life with us would be like for them."

The Road Ahead

When asked what's next for Clarion's buy and build strategy, **Russell** explained that in a pond as big as theirs, opportunities are unlikely to dry up. The business will seek out both larger, more strategic acquisitions, as well as opportunistic ones.

"I imagine that in the next cycle there could be two or three really transformational deals that will take years of planning. The smaller deals where we are building out portfolio positions will always be important, but they won't be able to shift the needle during the next phase of the company's scaling," he said.

"Our strategic plan emphasises certain geographies and sectors over a given time. At the moment Asia is underweight so we're looking to upsize there if we can."

Russell made the point that this buy and build strategy will not waiver in the run up to any future exit. "That's not from a crass aim to fold things in and get higher than was paid.

"I just think it's a mistake to stop doing deals as you run to the end of a cycle. During both of the last two turns we simultaneously did acquisition deals. That was a large part of the story and actually, it provides momentum and direction to the growth strategy told to a potential buyer". ■

The article was taken from Russell's interview during Criticaleye's [Private Equity Retreat 2017]

Russell Wilcox
CEO
Clarion Events

Russell is CEO of Clarion Events, one of the world's largest tradeshow and conference organisers. He joined in 2008 following a buyout by Veronis Suhler Stephenson, and led the company's expansion into new international markets and product sectors. He has been a Board Member since 2010 and became CEO in 2013.

The management team at Clarion led the sale of the business to Providence Equity Partners in January 2015. Combined with double digit organic revenue and EBITDA growth, the business has doubled in size to more than £200 million of revenues, and now has offices in ten countries.

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