LEADING A SUCCESSFUL EXIT

Former CEO **Nigel Howell** talks to Criticaleye's **Jacob Ambrose Willson** about taking FirstPort on a 10-year growth trajectory

Today, FirstPort is the UK's largest residential property service provider with a management portfolio encompassing 310,000 homes in England, Wales and Scotland, across 5,600 developments. The company employs 4,000 people and has developed a reputation for the highest quality service delivery in the property management sector, backed by ultra-modern systems. The last decade has been characterised by sustained growth and two exits in three years, involving different private equity (PE) investment houses.

However, things weren't always so rosy when **Nigel Howell** first joined FirstPort as CFO in January 2013. An experienced finance director within PE-backed businesses, Nigel was tasked with improving the quality and consistency of the firm's service offering after it had received some negative reviews, and then to embark on delivering organic growth. Service and growth quickly became the bywords amongst the leadership team.

"We aimed to improve the service operations and start building towards organic growth. As operations improved and clients trusted us more, the next stage was to move towards acquisitive growth and then finally build a better digital capability," Nigel says. >

After cleaning out some pre-existing debt and other potential issues, Nigel took on the CEO position in February 2015 and began to focus on growing the business via M&A. By 2019, the company had swelled significantly following four medium-sized acquisitions, and it was becoming clear that an exit was approaching for FirstPort's initial investors – Epiris and Chamonix Private Equity.

"By this point, we'd gone a long way through our plan, but we hadn't started the digital transformation yet. We felt our investors at the time were ready to exit and wouldn't benefit from an additional hold period while we prepared for the next phase of our development."

The secondary exit deal was completed in September 2019, with Equistone Partners Europe coming on board as FirstPort's new PE-backer at a point when the company was expanding, although EBITDA growth had remained moderate as earnings were being reinvested into the growth story. The company's multiple did double during this period, according to Nigel, so the exit provided a good outcome for both parties.

Getting the Right Fit

Equistone, an independent investment firm operating across Benelux, France, Germany, Switzerland and the UK, had identified the platform FirstPort provided for a 'buy and build' strategy, along with the potential to spearhead a digital transformation. Both these elements would dovetail and rapidly push EBITDA up in the subsequent years, making Equistone the ideal PE partner for the company at that point in its trajectory.

> *"Strong alignment between owner and company will only increase the likelihood of growth and mutually beneficial outcomes"*

"They were a great investor and a good fit," Nigel recalls. "They were very management friendly and supported our strategy from the off, particularly with the digital change I wanted to implement. On day one of ownership, we signed with the software house Salesforce – who we wanted to implement – and we pushed forward.

"They also helped us with advice and resource when we were looking at acquisitions. In that two-and-a-half-year period from them taking ownership to completing the exit in August 2022, they were very good investors and very collaborative."

This speaks to the importance of identifying the right PE investor for an organisation at the given stage in its development. Strong alignment between owner and company will only increase the likelihood of growth and mutually beneficial outcomes, as was the case with Equistone and FirstPort.

Nigel highlights the key role played by advisors in facilitating strong partnerships and monitoring the market to support the next phase of development. In the case of FirstPort, growth was occurring at a rapid rate under Equistone due to a faster than expected digital transformation and a series of strategic transactions. In fact, the company was already being advised by Deloitte on the potential for another exit sooner rather than later.

"The Deloitte team were very good at understanding the potential pool of acquirers and keeping those people informed. They helped refine the story that management had developed about our business plan, looking at us through the eyes of a potential acquirer to make sure that we'd got all the areas properly thought through and explained."

That potential acquirer turned out to be Emeria – a French property management business that is the largest in Europe thanks to its footprint in the Benelux region, Germany Portugal and Switzerland. The company's pre-eminence in the space meant it felt like a trade buy-out, but Emeria is actually PE-backed via Partners Group and TA Associates, Nigel explains.

Nonetheless, this was a very different exit compared to 2019, when the more pureplay PE firm Equistone took time to understand the industry before making the decision to invest in FirstPort. In contrast, Emeria came in with an already huge regional market share, a well-developed understanding of the sector and a clear ambition to penetrate the UK property management space. >

FirstPort growth trajectory timeline:

- January 2013: **Nigel Howell joins as CFO**
- February 2015: **Nigel appointed CEO**
- September 2019: **Secondary exit deal with Equistone Partners Europe completed**
- August 2022: **Secondary exit deal with Emeria completed**

"Emeria wanted to be number one in this market in the UK. We were number one – and still are – and they saw that we'd built a very strong back office with good systems on which it would be easy to bolt-on smaller acquisitions, and to build out into different areas. I think they were pleased that they got the asset they wanted at a pricing they thought was fair for the future. As sellers, we achieved a good valuation in line with the market at that point."

The Art of the Deal

Fortunately, the deal was struck just a few months before a significant tightening in the debt market which marked the end of the pandemic-related cheap debt splurge. Here we see the importance of timing in any deal, as while Nigel is confident the deal would've still been doable a few months down the line, he admits it might have been more difficult.

The future management configuration at FirstPort was a key discussion point during the exit negotiations, particularly regarding the CEO position. Nigel made his position clear from the outset, in that whilst he could stay for a period post-transaction, he didn't see himself remaining in place by the next exit. Consequently, discussions evolved around internal candidates for the Chief Exec role. Eventually the decision was made that the current CFO would step up to the position, with Nigel taking a part time position on the board.

Full transparency in these delicate discussions was essential, according to Nigel. In particular, the Chair played a key role during the succession conundrum. "The Chair had some important conversations during the process that raised my intended departure, the timing of that and the succession plans we'd already made. I think that was very helpful in reassuring the sellers and the buyers that there was a plan in place."

Lessons and Advice

Looking back on FirstPort's journey over the last decade gives Nigel a great vantage point in terms of how to successfully navigate a PE-backed growth story, encompassing different investors at certain phases of the company's development.

To any chief executives of a growth company in the PE space, Nigel has this to say: "You should start with the end in mind. If you're very clear on what it is that you want your company to be, then I think you can build that right for the future. Setting a clear purpose and a good set of values is the first step, which helps motivate the entire business and build value.

"If you can get service quality and growth going, it becomes a perfect alignment. We'd got processes working effectively so staff could feel a sense of pride in their work, and we were investing in their training and career development. Then we were getting the clients on board to prove the growth story. So, you end up with this really virtuous story between colleagues, clients and investor."

As alluded to earlier, the macroeconomic picture has darkened since FirstPort completed its latest exit in August 2022, and the post-Covid era of high interest rates and depressed economic activity is upon us, in the short term at least. Consequently, there is likely going to be a slowdown in the volume of exits being done in the space, but Nigel maintains there is still 'a wall of money' in PE that will need to find a home at some point and some emerging M&A buying opportunities at realistic values.

"It looks like some exits that would have normally been done have been delayed and are looking at another hold period of 18 months to two years before conditions are right. This gives those chief execs the chance to revisit their plans. Once again, make it clear what type of organisation you want to bring to market in two years' time and start with the end in mind. It might take a little bit longer to reach your goal, but the same principles are there," Nigel concludes. ■

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