

# Negotiating the Exit

Steve Parkin tells us how, as CEO, he recently sold the PE-backed Mayborn Group, securing a 3.5x return and a deal the management team could celebrate. Mary-Anne Baldwin reports





Under **Steve Parkin's** leadership as CEO, Mayborn Group, which makes the UK's most popular baby bottle brand, Tommee Tippee, was sold to the China based Shanghai Jahwa Group, which is owned by Ping An Insurance Group, one of the world's largest insurance and investment companies, for around £300m. The deal was finalised in July 2016, making a c3.5x return for its then private equity owner, 3i.

Here, **Steve** talks about what he learned from some of the milestones in that process, and describes how he secured a good deal both for 3i and his management team.

### Communicating With Confidence

When I was promoted to CEO of Mayborn in 2010, the company had been under the ownership of the private equity house, 3i, for four years and staff were uncertain about the future plans for the company.

It was important to build confidence and trust within the team at all levels of the company and a clear and compelling strategy, all of which required excellent communication.

Everyone knows that a PE-backed business will be sold eventually, but I reassured the team that I would let them know well in advance of that happening. Until then, they were to think of the PE house as like having a new mortgage provider. I told them that what I needed was for them to deliver the plan and in return I'd make sure I got the best ownership structure possible, as and when a deal was to be made.



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### Take Good Advice

When it became time to sell, it was important to appoint the right external help. Advisors do need to be independent, but with a good relationship, management can have a large amount of influence on how compelling their due diligence documents are.

Don't underestimate the time it takes to build those relationships. I spoke to the MD of our bank every day for seven months. You are in each other's pockets so make sure you appoint people you can get on with and trust.

### Incentivised to Negotiate

I saw it as my job as CEO to get the right deal for the management team, which too many people leave to a mix of trust and chance.

We appointed two advisors to assist in management team negotiations and they were the best two appointments we made.

We discussed what we wanted the deal to look like – such as PE versus trade, what our returns were really going to be, and our negotiation tactics. It helped me as a CEO be really clear on where we were and how to diffuse the emotional side of the discussions.

Make the most of the rare opportunities to negotiate. You only have two chances, one is before you start the job and the second is before you sell to your new owner.

### Life on the Road

The roadshow presentations are the crescendo to the exit process and it's the management team's chance to shine.

As the CEO I'd done many more meetings than the rest of the team so I knew the questions that would be fired our way. Using this knowledge, I worked with a communications company to get our management team ready and rehearsed.

Some of our execs, who thought they were already great at presenting, were shot through after the first day of rehearsing. >



Perfecting the art of communicating a strong, succinct story was a very useful exercise and most of our advisors said the way we presented was the best they had seen.

We didn't try to replicate any of the information that was already out there, but talked about how we believed value could be created

## Recalling the Hurdles

We had a major product recall right in the middle of the second round of bids, which was covered by American news broadcaster, CNN, and had 5.5 million YouTube hits.

I wouldn't wish that on anyone. 3i considered pulling the process because of the magnitude of the problem, while I was confident it could be contained at a cost.

I had to negotiate with 3i and the bidders on how we'd manage that. At times 3i was adamant that management should pay for those costs, which would

### TOP TIPS FOR THE EXIT

- Confidently communicate to your team that it's business as usual
- Find advisors you're happy to spend many hours with
- Seize opportunities to negotiate a good deal for management
- Rehearse creative ways to pitch to potential buyers
- Don't try to guess who your buyer will be, you'll get it wrong

*“Last minute price re-negotiations meant we had to reject the bid”*

have massively reduced our earnings. It was a game of poker and those were lonely, hard discussions.

There was huge paranoia as we went through the process and it was my job to communicate the reality through a CEO's lens versus the sentiment. It taught me that too much communication is better than too little. Keeping all parties up to speed on developments was critical to building confidence and trust.

## Expect the Unexpected

Our PE owner told us not to get hooked on who we thought would buy the business because we'd be wrong. It was good advice. Some of the initial investors who were all over us like a rash didn't get near to the price or progress to the future rounds of the process.

Even in the last round of the process, we had a buyer fully lined up and ready to go but last minute price re-negotiations meant we had to reject the bid and move on. That was a real low point. I had to tell my management team, pick everyone back up and evaluate the other options with our owners and advisors.

## One Door Closes

We were finally bought by a Chinese company, Shanghai Jahwa Group, owned by Ping An, a \$89 billion insurance company with a private equity arm.

They secured the deal with the best price because they had an infrastructure in place that could support the launch of the high equity Tommee Tippee baby brand into China, while being fully supportive of its international organic and M&A plans.

It was a big relief to the management team when, at last, we got to the finish line, but it's just a short moment in time, because we then had a welcome letter from our new owner wanting to get started on the 100 day plan and new strategy. And so the next phase began. ■



**Steve Parkin**  
CEO  
Mayborn Group

Steve began his career with Mayborn in January 1997 as European Marketing Controller.

In 2010, he was promoted from MD to CEO and in 2016, led the sale of the business from 3i private equity to a Chinese consumer goods company, Jahwa Group.

Under his leadership, Mayborn and the Tommee Tippee brand have expanded globally, including rapid international expansion into the US, Australian and French markets.

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