LEADING a PRIVATE EQUITY EXIT

Stuart McLachlan has taken Anthesis Group on a rapid growth trajectory since co-founding the sustainability consultancy in 2013. In this interview with Criticaleye's **Jacob Ambrose Willson**, he discusses the recent transition to a new private equity owner with global ambitions for Anthesis

Anthesis Group has been on a whirlwind growth journey since being established in 2013 by a group of founders that includes **Stuart McLachlan**, who remains as CEO of the sustainability consultancy to this day. The firm provides science-based expertise to a vast array of blue chip clients, helping the likes of Tesco, PayPal, Microsoft and Unilever improve their sustainability performances.

Today, B Corp certified Anthesis is present across 23 countries with over 1,400 sustainability experts working across 44 offices to deliver the best possible outcomes for clients in those regions. This level of growth might've seemed improbable for many observers at the time of the Group's origins just over a decade ago, however for **Stuart** and the other co-founders there was a strong belief that the time would come when businesses around the world would be asking for purpose-driven solutions to glaring sustainability gaps.

In the early years, the business developed through a succession of small acquisitions – almost entirely funded by founder money – with a view to having a business of the relevant scale and expertise ready for the inevitable explosion in interest for ESG solutions, which duly arrived around three to four years ago, according to **Stuart**.

At this inflection point in 2021, Anthesis received a significant investment from UK-based Palatine Private Equity. During this partnership, the company continued to grow at pace fuelled by a further five acquisitions until June 2023, when global PE player Carlyle Group agreed to acquire a majority stake in the business.

In this exclusive interview with Criticaleye, **Stuart** discusses the recent exit to Carlyle Group in greater detail, including the importance of rewarding all employees that have contributed to the journey and the continuation of a 'buy and build' growth strategy.

JAW: Tell me about why you set up Anthesis Group in 2013 and how you've rapidly grown the business over the last decade?

SM: We felt that when it came to sustainability strategy and programmes, advisors to organisations were often putting the wrong picture on the lid of the jigsaw, or having no picture and then putting the wrong jigsaw in the box, and handing that over to a client and saying, 'Go make some use of that'. >

We wanted to build an organisation with deep subject matter expertise that roots everything in the science, and then have the breadth of people who can engage with the C-suite and really understand how you piece together the right sustainability programme. To be honest, we were still on the periphery of the market in 2013 because the agenda hadn't gone mainstream. But we knew at some point the world would have to wake up to the reality of the [climate] crisis, and we wanted to be ready with the right business when they did.

To be able to do that, we had to think about how we're going to design this [business] and ask what are the bits we had to assemble? Patience led us down the M&A route. We wanted to go in and buy the specialist companies that represent pieces of the jigsaw. By the time the market really kicked off three or four years ago, we had a unique offering.

JAW: Global PE investor Carlyle Group acquired a majority stake in the business in June 2023. Why was it the right time for that particular investor to come in?

SM: We did eight years of bootstrapping [self-funding] and two years of having a minority investor; a UK mid-cap, impact investor called Palatine [Private Equity]. We continued to grow strongly during the two years of Palatine and they were great partners and a great support. But we'd outgrown them and were becoming increasingly global, so we needed a global partner that could really help us to professionalise, to scale up and that had access to the capital that we needed, along with access to Boardrooms, C-suites and – potentially – new clients.

> *"We needed a global partner that could really help us to professionalise, to scale up and that had access to the capital that we needed"*

And because we'd grown so much, I also wanted to take the opportunity to redistribute the equity to the people who are most deserving of equity wealth creation in the coming years.

JAW: Was there any other interest in the business at the time you went to market?

SM: When we went into the process, there was inbound interest from maybe 70 to 80 investors of different shapes and sizes; mainly private equity, quite a lot of family wealth [private investors] and a relatively small amount of trade, simply because we made it quite public that trade was of less of interest to us.

So, we felt that the most likely scenario was finding a financial partner to help fuel and accelerate the growth and the impact that we can make. I initially met with 30 [partners] and then we whittled it down quite quickly to a smaller group.

JAW: During the exit negotiations, how did you ensure that the best interests of the business –and the employee shareholders – were kept in mind?

SM: The first thing we wanted to do was make sure that there was still a big chunk in the ownership of the company in the hands of employees. I believe that the primary opportunity for people in our world to grow wealth is through equity. It's not guaranteed, but there's a lot of employees that have enjoyed quite a lot of wealth creation so far in terms of the relatively short journey [we've been on]. >

Anthesis Group

- B Corp certified global sustainability consultancy
- Employs more than 1,400 sustainability experts in 44 offices across 23 countries
- Strong M&A track record, with over 20 successful acquisitions since inception

Carlyle Group

- NASDAQ-listed global investment firm
- US$435 billion AUM, spanning three business segments and 606 investment vehicles
- Employs more than 2,200 people in 29 offices across five continents

We also carved out five percent of the equity to put in a wealth collection vehicle for all employees at the last investment round. In a normal private equity deal, you're going to have a certain amount of sweet equity to incentivise management teams, but it was important for me that all employees, subject to certain rules, that have contributed to the journey during this part of the lifecycle were able to share in that wealth creation.

JAW: What avenues of support did you lean on during this intense period?

SM: I had a very experienced Chair going into the last investment round. He was extremely hands on and was the person sorting out a lot of the equity admin, dealing with the lawyers, paperwork and all the employee shareholders, who had lots of questions. To have a Chair that was able to deal with all of that really allowed us to continue running the business.

The deal itself was very fast. There was only two weeks between opening the data room and signed commitments. All parties had to move fast and we couldn't have done it if I hadn't had a Chair that was as experienced in driving it and cutting through the noise.

JAW: What does the next phase of growth look like for Anthesis under Carlyle Group's ownership?

SM: They've bought into our strategy, which is reflected in the amount of deals we've done in the first year of ownership. Carlyle invested because they see us as an experienced management team that knows how to do M&A.

The space that we're in is increasingly crowded and fragmented. We can be a real consolidator with the expertise, professionalism and access to capital that Carlyle bring, so they are an ideal partner. The first year has been about focusing on making sure we've got the foundations and the infrastructure in place, so that we can now really put our foot on the gas.

JAW: How has your leadership style developed and grown over the last decade on this journey?

SM: To grow something from a standing start to almost 1,500 people, you really have to press into your desire for empowerment, rather than command and control. To be successful, there's got to be quite a high level of trust within the organisation.

I think for me personally, it's been interesting moving from somebody who's in all the weeds during the startup phase, to actually getting to a place where you've built a big business in an area that's gone from being incredibly unfashionable to being the talk in every Boardroom. All of a sudden, you find yourself on all the podcasts, on television and in journals. And so there's been quite a lot of growing up when it comes to responding to the inevitable increased profile. ■

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