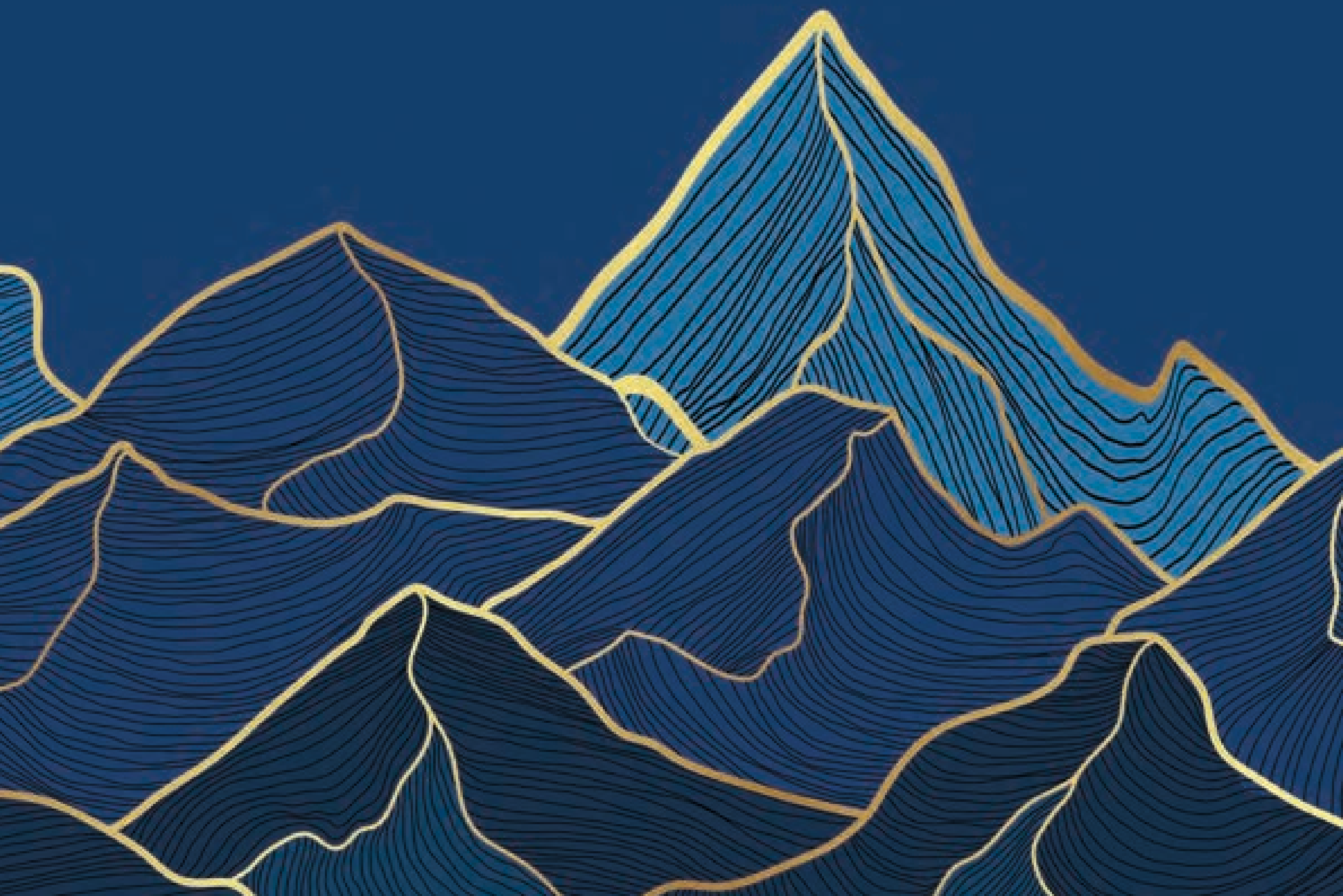
How do you define success?

CLAIRFIELD OUTLOOK 2023



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Spotlighting clients' achievements and the quest for a positive impact

Our new motto, "Defined by Your Success," challenges our clients to think about what success means to them. In this year's *Outlook 2023*, we are honored to showcase our clients' achievements, and how we have assisted as advisors.

The word "success" is thought to have originated in the 16th century from the Latin word *succedere*, referring to the state or condition of arriving at certain expectations. In our *Outlook 2023*, we focus on a holistic definition of success that includes economic prosperity, sustainability, human well-being, political stability, and freedom. "success" so defined is a lofty goal that requires us to rise to the challenge.

Our new motto, "Defined by Your Success," asks our clients (and indeed ourselves as advisors) to consider how to personally define success. In the following pages, we explore the varying definitions and perspectives on success, both from our clients and from within our own organization. We delve into how business leaders determine what is successful in their businesses and what sets successful investors and entrepreneurs apart. Additionally, we examine the role that failure plays in the pursuit of success, and the lessons that can be learned from setbacks. Ultimately, we hope to gain a deeper understanding of the diverse and dynamic nature of success.

In this year's issue of *Outlook*, our contributors, from their very different and varied sectors of industry, have shared with us their 10 unique definitions of how they perceive and have achieved success. All business leaders were also keen to emphasise the importance of taking risks, and many count on innovative technology and embracing change as some of the reasons for their success.

We have success stories from all industry sectors: from highly technical telemedicine booths to the clean factories of the future and from the growth in insect farming to the evolution of Formula One engineering. Despite the diverse views of success among those we interviewed in this year's *Outlook*, one common thread emerged – the goal of making a positive impact on the world.

At Clairfield, we understand that success is personal to each of our clients. Our goal is to support and guide them in achieving their desired outcomes, no matter what that may look like. Whether it is growth, ensuring the long-term future of their company, or handing over the reins to a trusted successor, our clients' success is our success.

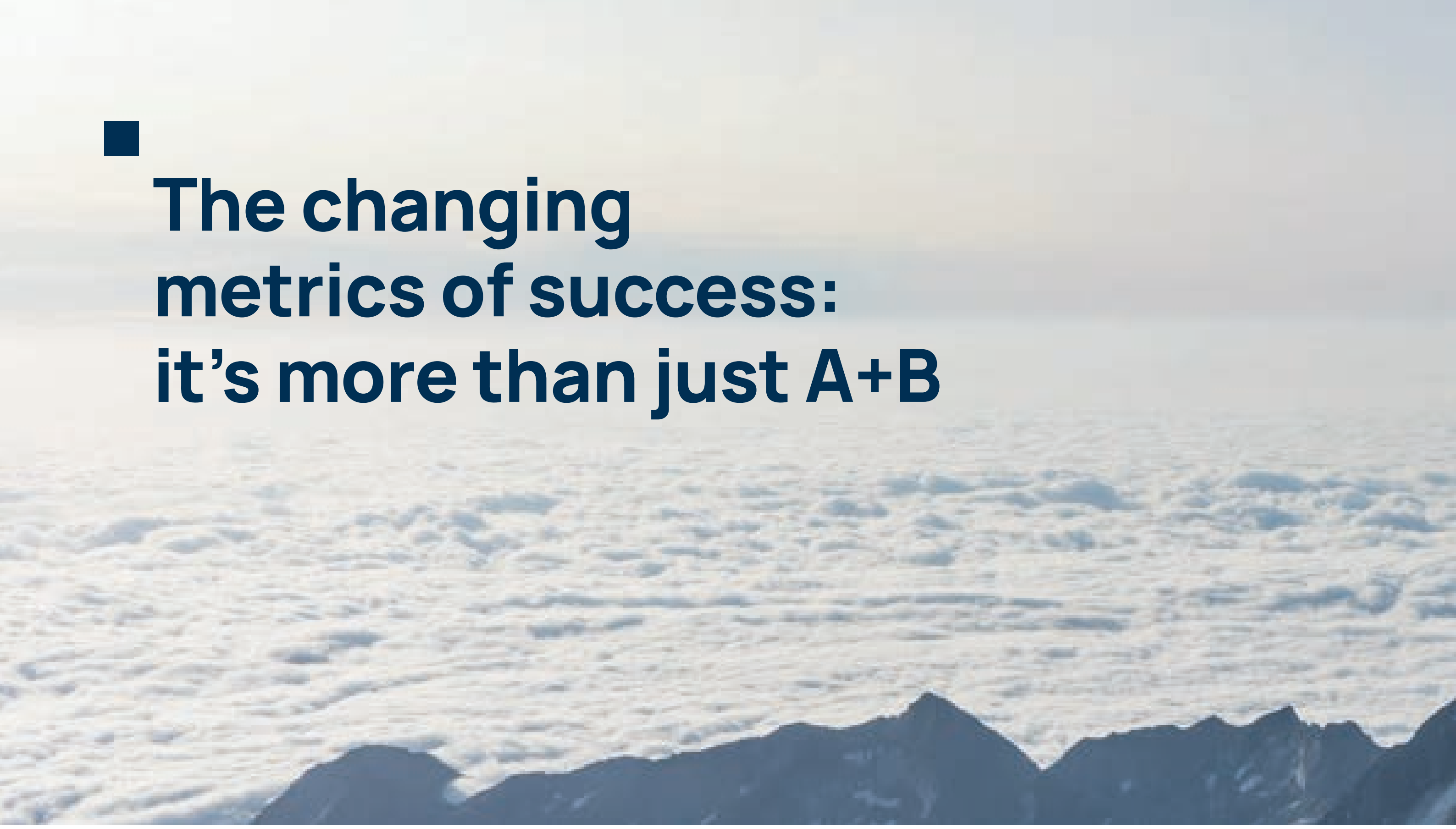
I thank all our contributors for their valuable insights and hope that you will enjoy reading this publication. We are in print again due to popular demand!

Alexander Klemm, executive chair
aklemm@clairfield.com

What is success?

Success as an M&A practitioner means listening to what our clients want — and understanding all points of view.

The changing metrics of success: it's more than just A+B



Measures of business success

Success is not a one-time achievement, but a continuous journey of growth and adaptation. As often seen in business, a company establishes itself, and then once it thrives, other companies enter the market. Competition is good but can also result in creative destruction, or it can instigate innovation and evolution. Companies must stay ahead of the competition and be aware of the many external factors that can impact their business. The path to success can be affected by geopolitics, climate, regulations, inflation, demographics, and consumer trends; to this list, we can now add global pandemics, war, and supply chain issues. By understanding the impact of these factors and staying ahead of the curve, a company can ensure its longevity and growth.

Success for business leaders means fulfilling their company's objectives, maximising sustainable profits, and growing the business. It requires smart strategic decisions, efficient resource management, the formation and direction of a competent team, and the establishment of positive relationships with all stakeholders, including shareholders, customers, suppliers, employees, and the community. A successful business leader must also possess strong leadership qualities, such as effective communication, adaptability, and decision-making skills, as well as the ability to navigate the challenges and changes in the business environment.

> **"A strong corporate culture can also attract and retain customers and employee talent alike, contributing to the financial success of the business."**
>
> Sharon Doyle, partner of Clairfield in Brisbane

One of the key measures of company success is financial performance, with the focus on generating monetary value. However, to achieve long-term resilience, business leaders must consider factors such as the quality of earnings, customer loyalty, pricing power, market share, differentiation, and geographic diversification. Cost management, supply chain optimisation, regulatory compliance, and other factors also affect the bottom line. Companies use performance indicators, quantitative measures of performance, to evaluate their own performance and compare it to their competitors and industry norms.

In the past most business leaders defined success as maximising shareholder and stakeholder value. Today, this view is deemed too simplistic. Some companies use non-financial performance metrics to measure the success of their business, such as having a diverse, healthy, happy corporate culture with high levels of employee satisfaction, workplace safety, and customer loyalty. However, it is important to note that while these non-financial metrics are important indicators of a successful business, they are still tied to financial performance in some way. A happy and satisfied workforce can lead to

increased productivity and profitability. In sum, success for business leaders is a multifaceted concept, encompassing both financial and non-financial measures, and a balance must be struck between the two to achieve the overall goal of sustained business growth and profitability.

Meanwhile many family business owners have additional concerns and would define success as creating a lasting impact that can be passed down from generation to generation. Longevity is considered key and a clear succession plan is necessary to ensure the legacy continues. “The challenge for these businesses is to maintain a culture of transformation rather than resting on the success of previous generations, and stay ahead of trends such as digitalisation and ESG business model transformation,” says Joern Werner, senior advisor to Clairfield. Family owners and management must work together to implement successful change and maintain clear accountability. Independent directors and advisors can help in this process. Family governance is key.

ESG emerges as key success indicator

The notion of what constitutes a successful business is evolving. Our discussions with business leaders reveal a consensus that a crucial indicator of a company’s success is its relationship with its community and its impact on the environment and society. Companies with a strong sense of social conscience are viewed positively by consumers, investors, and employees, and can gain a competitive advantage in the market. Public market institutions and private equity investors are now starting to incorporate environmental, social, and governance (ESG) criteria into their investment strategies, making them an even more critical success factor.

The *McKinsey Quarterly* (February 2023) identifies five areas where ESG creates value: boosted revenue growth due to faster growth of sustainability-marketed products; cost reduction through resource efficiency; less regulatory pressure; increased productivity through employee morale and motivation (a recent Clairfield Group survey found that “contributing to society” and “creating meaningful work” were key values, especially among younger team members); and finally investment and asset optimisation by allocating capital to sustainable opportunities such as renewables and waste reduction.

“A success story for a company must include the way it grows in a sustainable and socially responsible way,” says Bettina Gereth, senior advisor and member of the Clairfield ESG practice group. Leading companies are now benchmarking themselves against various international protocols such as the United Nations Sustainable Development Goals, the Greenhouse Gas Protocol, the Carbon Disclosure Project, and Ecovadis, software that helps businesses manage their impact, from materials to products, from factories to stores, from carbon emissions to working conditions. All of these are tools and frameworks to measure sustainability success.

The right mindset for M&A success

M&A has become an integral strategy for companies large and small to achieve their strategic goals. Through M&A, companies expand their markets, create new avenues for growth, address capability gaps and supply chain issues, among other things. However, success in M&A is not guaranteed. It starts with asking the right questions and conducting a thorough analysis before proceeding with a transaction and is then achieved through professional and efficient execution.

On the buy side, it is imperative for companies to fully understand the target company's business model before proceeding with a transaction. According to Dirk Freiland, a partnerof Clairfield in Stuttgart, "in buyside M&A, it's crucial to thoroughly examine the business model of the target company, as synergies are often overvalued, and the make or buy decision is often not analysed enough." Dirk Middelhoff, also a partner of Clairfield in Düsseldorf, agrees and also emphasises the importance of understanding the buyer's motivation. "Before entering an M&A transaction, it is important to work with the client to identify a successful outcome. Once these goals are agreed, they will shape the structure of the M&A transaction."

The sell side faces different challenges. According to Brian O'Hare, partner at Clairfield Spain, "the biggest barrier to achieving a successful sale for family businesses is often personal and emotional — it's the fear of change." He adds that "to ensure success, advisors and buyers need to adapt to the seller's process. Confidentiality is key, especially when families are anxious about the sale becoming public."

Defined by your success — is 2023 the time to act?

History tells us that companies that make bold moves at volatile moments in the cycle tend to win over the long term. Bain research on M&A in turbulent times (February 2023) confirms that it was a winning strategy in previous downturns, and highlights key success factors for 2023.

In the current cycle, companies with a strong market position, cash on hand and strong balance sheets, and debt capacity, will have the upper hand to execute transactions. These companies should be confirming their strategic M&A roadmaps, revisiting transaction models to include joint ventures or minority investments with possible paths to control, and laying the groundwork to move fast on desirable targets. "Robust businesses with a strong track record in M&A and a history of success will be well-positioned to take advantage of market opportunities and pursue transformational deals," says Piotr Kolodziejzyk, partner of Clairfield in Warsaw.

In Clairfield's core market of the middle market, thousands of deals valued at less than US$500 million make up the bulk of M&A activity each year. We expect this to continue as larger deals become more difficult to execute. The midmarket has traditionally been more resilient.

> **"Smaller to midsize deals will be easier than megadeals to complete given relatively lower risk, less reliance on financing, and less regulatory scrutiny."**
>
> Frank de Lange, partner of Clairfield in Amsterdam

A continuing high interest rate environment and weak economy, despite a possibly soft landing, puts a premium on assets with cash flow and a line of sight to rapid synergies, supporting a near-term shift to scale deals, possibly asset light business models with lower capex. Uncertainty regarding cost and availability of capital, as well as the overall macroeconomic outlook, will likely cause dealmakers to be more conservative in valuations. "We expect valuations to come down by 2-3 turns but premiums will be paid for quality assets," according to James Grenfell, partner of Clairfield in Birmingham.

Down cycles and uncertainty will force boards to reevaluate business portfolios under new scenarios. "While we expect boards to consider divestitures more seriously, it takes a lot of conviction to do one in a downturn given the hesistancy to sell underperforming assets 'at a loss,'" says Filippo Guiccardi, partner of Clairfield in Milan. Yet this fear is often misplaced: at some point, no amount of multiple expansion can offset declining performance in the business itself, especially one that is no longer receiving attention or investment.

In a challenging macroeconomic environment and deal market down cycle, M&A executives should customise their toolkits to accelerate decision-making, gain conviction in potential deals, and preserve value through integration. This means confirming portfolio strategies and refreshing M&A roadmaps to enable nimble decision-making. It also means being ready to execute, being decisive in auction processes, and looking at M&A as a programmatic tool for corporate development. Now is the time to revise scenario planning to account for cost and availability of capital, and macro uncertainties. The best companies devote energy to scrutinising their competitors, determining which of them has both the cash and motivation to make bold moves.

Winners also identify where and how they can use M&A to accelerate or scale innovation or execute on business model transformation, and also overseas expansion into new markets. And they expand the pipeline with a broader view of prospective targets, creating optionality.

The key to success in M&A lies in quickly establishing conviction through swift and in-depth due diligence and valuation. Market volatility means buyers need to be confident that their target will be resilient in several future scenarios. And increasing interest rates mean buyers need to determine how to accelerate synergies. All of this implies that companies need to come armed with proprietary insights from due diligence that is faster, deeper, and better focused than the approach taken in a more stable environment. Among the necessary moves seen by Hans Buysse, partner of Clairfield in Brussels, are getting more detailed on the sources of value in the marketplace: revenue, costs, talent, and technology — and laying integration plans during the diligence, not afterwards.

As we conclude from the above, success is a subjective term and varies greatly among individuals and businesses. In the middle market, business owners often have a unique vision of how they want their company's story to unfold.

To achieve our clients' goals, we work closely with them to understand their vision and what they define as success. By identifying their objectives and expectations, we can tailor our approach and provide the right guidance and support. This includes helping to assess potential synergies, identify suitable targets, and shape the structure of the M&A transaction.

We are dedicated to helping our clients define and achieve their version of success. We, in turn, are defined by our clients' success. ■

"It is crucial to reevaluate scenario planning in light of the current cost and availability of capital and macroeconomic uncertainties. The most successful companies pay close attention to their competitors, evaluating their financial stability and willingness to take bold actions."

Alexander Klemm,
Clairfield executive chair

The art of successful negotiation begins before you enter the boardroom

Luiz Penno is a founder and partner of Clairfield Brazil. Luiz has approached transactions as an entrepreneur, advisor, and consultant in his long career, including at McKinsey & Company, where he worked on crossborder deals.

Luiz has helped hundreds of clients achieve successful outcomes in a range of industries, including financial services, healthcare, retail, technology, real estate, agribusiness, and oil & gas. He is an expert at the negotiating table.

Luiz Penno is one of the key contributors to the recent book *Mergers & Acquisitions*, published in January 2022. An expert negotiator from his 20 years as a consultant and advisor, Luiz wrote the chapters on successful negotiation.

In this excerpt, Luiz shares his expert knowledge on creating an environment where negotiations will prosper. He discusses how to challenge your assumptions, define your goals, and understand the other party's perspective. Luiz delves into how to start the negotiation process on the right foot to get a successful outcome. Most importantly, he emphasises the value of trust, honesty, integrity, and reliability. The art of successful negotiation begins before you enter the boardroom.

Negotiation is an information game. Those who know how to get good information do better than those who merely cling to what they already know before the process begins. Therefore, preparation is a key success factor: it is crucial to take the time to identify the parties involved in the negotiation and their respective interests, anticipate areas of potential conflicts, map possible clarifications needed, find commonalities and design possible outcomes.

Reflect on your assumptions about how the negotiation will develop

Before a negotiation begins, it is likely that you have made several assumptions about the negotiation itself, and many of them with biases that can make a creative solution difficult. For example, if you assume that the counterparty will be tough and inflexible during the negotiation, you may send signals that you will behave the same way, thus harming the entire negotiation dynamic. If you are an entrepreneur who assumes that the sale negotiation will be quick and with a high probability of success, you may decide not to make important investments in your business to keep more resources in cash and thus increase the amount you will receive. If the transaction is not completed, it will have a negative impact on your business.

The solution is to analyse the main assumptions carefully (why am I making this assumption? what are the facts or evidence that support it? what are the implications if I am wrong?) and not to be afraid to revisit them or even discard them if you do not feel confident that they are properly supported.

Define your goals and make your reasons clear

In addition to the minimum price (in the case of a sale) or maximum (in the case of a purchase), it needs to be clear what your definition of success is. For example, when an entrepreneur is bringing in a private equity fund as a partner, the partner's profile, alignment with their values, and proposed transaction structure are often more important than the proposed valuation for the future of the post-transaction business.

On the buyer's side, in addition to acquiring the company at a price that generates value, an important objective is to ensure that the business continues with the projections for the future that were assumed to evaluate it. For example, it is necessary to consider the probability of maintaining contracts, the customer base, the management team, and so on. What is really important? If the CEO of the acquired company asks to leave the next day, does the acquisition still make sense? How do we guarantee a smooth transition and capture synergies?

In practice, having a clear understanding of the objectives prior to beginning negotiations enables you to identify creative solutions and consider options that may not have initially been on the table. Furthermore, it helps to avoid the potential pitfall of aiming for excessive gain, which could ultimately harm the negotiations.

What is your best alternative to the current negotiation? What's your point for "leaving the table"?

Clearly defining your alternative before entering the whirlwind of emotions that a negotiation can involve prevents you from being led to accept undesirable terms out of fatigue when it would be better not to close the deal. For example, if a seller understands, at the beginning of the process, that for less than a certain amount, it makes no sense to sell her company, she should not change her position after a few months of negotiation.

Additionally, having a plan B for the ongoing negotiation,in addition to being an alternative and serving as a minimum value reference for the business, increases emotional comfort in times of great difficulties.

What is the other party's perspective?

The best negotiators are the ones who listen to and understand their counterparts. This understanding is an important point in M&A operations, where negotiation is not distributive (in which the gain of one is the loss of the other, as in the division of a pie) but integrative. In other words, the multidimensionality of the environment allows both sides of the negotiation to come out better than they came in. For this, it is necessary to understand what is important to the other side.

A good example is a transaction we advised in which a healthcare provider ceded a minority stake to one of the largest hospital groups in Brazil in exchange for a long-term supply contract with the hospitals in the network. For our client, it was the opportunity to multiply its result by more than ten times in a short period of time. For the hospital group, its participation did not require any cash outlay or cost increase, only the replacement of suppliers. It ultimately resulted in a shareholding worth tens of millions of dollars. Initially, however, the hospital chain said it had no interest in the transaction. Even though the potential for generating value was very clear, it had two major concerns: being dependent on a single provider for critical services; and the risk that any failure of service would cause damage to the group's reputation. Once aware of these issues, we were able to address them through a combination of additional clarifications and contractual mechanisms.

> "Knowing how to separate and understand individual goals can help in gathering information and designing a better negotiation."

What is the degree of trust between parties?

If the parties are not willing to share and discuss their interests, reaching a win-win solution is impossible. And when there is no trust in the relationship, people are hesitant to share their motivations and worries because they worry that the information will be used against them.

Hence the importance of being careful with actions that can break a relationship of trust: not fulfilling what was agreed or promised; having attitudes that can be perceived as unethical; not listening to the other side; lying or exaggerating; omitting information that could harm the counterparty; not showing empathy or willingness to really understand the other side.

Remember that it takes years to build trust and only seconds to destroy it.

Don't ask what; ask why

Once, on the eve of signing a sale and purchase agreement, one of the shareholders called us and said that she refused to sign the agreement. The shareholder, who co-owned 50% of the company with her husband, expressed concerns over the division of ownership, claiming that it was supposed to be 25% each instead of the current 20% for her and 30% for her husband. She now said that she would not waive this division for fear it would impact the couple's shared children.

This call took place on a Friday night, and the contract with the buyer, a foreign multinational whose representatives had spent a week in Brazil to negotiate final terms, would be signed over the weekend. There was no time to adjust the company's articles of association, much less to explain this last-minute change to the buyer.

The initial solution offered by one of the sellers' agents was for the husband to donate part of his share to the wife, but this came with a significant tax impact. There was also speculation as to her motives: did she (or he) have any children out of wedlock? Did she plan to divorce him after the sale of the company?

The woman insisted on postponing the signature until the issue was resolved. To better understand the situation, the team asked her to explain her concerns for her children and why she was so insistent on this matter.

She explained that she had understood that the disproportionate share between her and her husband would impact their children's inheritance. That same night, we organized a conversation between her and a specialist in family law who explained the laws surrounding marriage property and addressed her concerns about her children's inheritance. Through this conversation, it was determined that her worries were unfounded, and the signing went ahead as planned.

We have a natural tendency to state what we want, but not why we want it. That is, we want to propose a solution to a problem or requirement but we usually do this with limited information on all the possible alternatives, and so the result is far from optimal.

The negotiator must take care to always understand the situation, both on their own side and that of the counterparty. Some questions they should ask are: What are the real objectives of each stakeholder? What are your priorities in the negotiation? What alternatives does the counterparty have?

When a counterparty makes a "demand," even if in an aggressive way, the negotiator must seek to understand what is behind it, especially in the middle of a negotiation.

If it represents a change in the line of what was being discussed, the negotiator must understand the real reasons behind the demand to seek the best solution.

Likewise, the negotiator must be clear and structured when exposing their own demands, making their motive or discomfort clear. This forthrightness will help the counterparty to structure a mutually beneficial solution.

Find things in common with uncommon allies

While there is a common desire to seek the best possible deal, at a negotiating table there are a myriad of additional interests involved, which are not necessarily completely aligned. Knowing how to separate and understand individual goals can help in gathering information and designing a better negotiation.

Senior executives from a company being sold will likely be present at some points in an M&A process. If they are interested in remaining in the company after the transaction is done, and the buyer is also interested in their presence, a closer relationship can be established and information exchanged with them, in order to bring new alternatives to business points and create a constructive environment to test ideas freely.

Organise the negotiation

An M&A transaction often takes several months, sometimes even years, to close. The negotiation is never resolved in a single meeting. Therefore, it is important to maintain a schedule of the entire process, and the discipline to prepare and plan each interaction.

If a buyer is proactively pursuing a company they would like to buy, the first meeting will likely have an exploratory dimension, to understand if there is a possibility of business and align a timeline for the negotiations. A second meeting could aim to deepen the understanding of the interests of each party and perhaps a preliminary collection of information for a minimum understanding of the business. In a third interaction, you can test potential transaction structures and understand possible dealbreakers, and so on.

The principles of an efficient meeting must not be forgotten for every interaction. Some questions which must be asked are: What is the expected result? What do you want to achieve in this meeting? What level of authority does your counterparty have? Are they the decision-maker? How should you take messages to the counterparty and how will they receive your messages? What would you like to understand about the counterparty?

Once you have set the stage by collecting preliminary information and creating an open and trusting environment, the negotiation can begin. ■

Luiz Penno is partner of Clairfield in São Paulo. You can reach him at lpenno@clairfield.com.

Business leaders define success

Profitability, career, sustainability, family, legacy, harmony.

Success has many definitions. Here are 10 of them.

Formula One's Stefano Domenicali is clear that success does not change; it evolves

Stefano Domenicali, president and CEO of Formula One, is a motorsport and automotive veteran who has built an illustrious career in sports administration. Stefano was previously CEO of Automobili Lamborghini and held senior roles at Audi and Ferrari. Before joining Formula One, he led winning racing teams, racking up a total of 14 titles in the Formula One Constructors' and Drivers' Championships. Stefano became an Officer of the Order of Merit of the Italian Republic in 2002, and a Commendatore of the Italian Republic in 2019, and was awarded the Collare D'Oro by the Italian National Olympic Committee last year.

Racing cars and motorsports are fascinating and attention-grabbing topics followed by millions worldwide. What does success mean in your business, and how do you measure it?

First, let's define what our business is: Formula One is an entertainment platform through motorsports at its highest level, where technology and innovation play an important part. We maintain the success of our business through the growth of our main channels, constantly improving awareness in new categories of fans and on new landscapes, creating new revenue opportunities that can attract new investors and partners, and of course, ensuring that the sporting challenge is able to generate exciting competition between drivers, teams, and manufacturers.

Measuring our success is the key to understanding how we can shape the actions needed to improve our product. As in all KPI-driven businesses, all the areas we need to control are vital to ensure we focus on the things we need to do.

So when you are looking at KPIs, how do you measure those indicators against your future goals and milestones? Does Formula One have 5-year or 10-year goals, and who sets these?

The most important task that the top management of any company must address is having a long-term vision, which has to be agreed upon with the relevant shareholders. In our case, all the choices for our future are made with the aim of guaranteeing the growth of our platform in all relevant dimensions.

One crucial dimension where we are measured and are building our credibility is connected to sustainability — sustainability that is comprehensive, with regard to the financial strength of our teams, partners, and promoters of our business through a very careful program of attentiveness to our people and of course the sustainability of our planet. E-fuel, hybrid engines, recycling, and carbon neutrality by 2030 are key pillars of our plans for the future. Our success is being leaders and innovators in this particular area; our aim is to lead the way. On all these points, Formula One will contribute to accelerating the efficacy of these actions for a better world, directly affecting all those aspects in which we play a leading role.

It is interesting to see how an influential business such as Formula One is also focusing on sustainability, which is the need for the hour. Has the definition of success changed over the years that your business has been operating?

The concept of success does not change, but rather it evolves. Today, success is, first of all, keeping financial, social, and environmental sustainability at the centre of the project. More than ever, a company's ethical values represent its reputation's credibility, and these are elements which will guarantee enduring success. For a business to have longevity, it needs to have consistent and sustainable ethical values running throughout and over time.

With our goal of net zero carbon by 2030 and a sustainable fuel by 2025, I believe F1 could be a sustainability model for the automotive industry and others. This would be a success.

Businesses ebb and flow, and good times can soon change into challenging times. As we witness economic difficulties at a global level today, business failures can be a reality if not handled well. However, such failures can become a path to success as many companies in your industry have experienced. What has been your biggest business failure, and how has this led to your success?

> “Defeats need to be analysed, not agonised over. They represent the starting points for future victories.”

I have always lived in a world of competition, which has helped me experience defeats as moments of growth and as new starting points from which to find the renewed energy to keep fighting and succeed.

Defeats need to be analysed, not agonised over. They represent the starting points for future victories. Never give up, never! You need to experience difficulties to succeed, and this is what I try to teach to all the people close to me. Lead by example and always take responsibility for what you are doing.

Indeed, if your perspective is one of learning and moving forward, failures can be turned into opportunities for success. Is there a company which you believe is a stand-out example of business success and why?

It is not a company but a real place that exists in the region where I was born — Emilia-Romagna in Italy. The region of Emilia-Romagna is known for its elegant medieval cities, sun-soaked Adriatic beaches, and some of the best cuisine in Italy. But in my sector, it is most significantly known as “Motor Valley” and is to the auto industry what Silicon Valley is to the tech industry. This is where all the major Italian automotive companies are based (as well as other companies within its logistical supply chain), for example, Ferrari, Maserati, Ducati, Lamborghini, Dallara, and Alpha Tauri, to name just a few.

It is this region where the great Italian automobile factories were founded and became world famous. The success of this land of motors dates back generations. Today, (according to think tank Riparte l’Italia) the area comprises 16,000 companies, four racing tracks, six training centres, and employs more than 90,000 people.

Here in this territory, the history of the automotive sector has been written. And now, with the support of the University of Bologna and other nearby cities, there is a unique opportunity to write the future of the skills, abilities, and passion needed to ensure that this special place will shape the future of this industry.

Does successful entrepreneurship come down to skill, luck, or money?

Personally I believe that the only thing that has changed over the years is the context which every business owner must consider while developing their business.

Skill is understanding the needs of the market, which is increasingly sophisticated; the idea is the foundation upon which you can think big; money is vital to develop this idea into a different dimension; and luck is needed to attain your dream.

That’s a very precise breakdown of entrepreneurship. Talking about your industry activity, what is considered a successful partner in motorsports?

In our business, the relationship between us and the promoter who organises an F1 Grand Prix is usually regulated by a contract. The contract clarifies the different roles and responsibilities and the fee to be paid. All details outlined and agreed upon in a contract help to ensure all parties are aligned.

The Spanish sports newspaper *AS Diario* has described Formula One’s inaugural race on the Las Vegas Strip as a

"speed-infused route through the city's best spots." It is expected to be the highest-grossing F1 event in history, both in sponsorship sales and overall revenue. How will F1 measure the success of this new event?

Yes, this year we will race in Las Vegas, and for the first time, we will also be the promoter of this event. It is an incredible challenge and, above all, an incredible opportunity, and one in which we have invested heavily.

Since you joined F1, a lot has changed; the number of races has increased, and the number of teams is set to increase. In a recent interview with Global Finance, you said that "the company aims to reach net-zero carbon emissions by 2030—not just for the cars but across all its operations and events," and that you are "discussing with fuel companies the development of 100% sustainable energy as the sole source for all its cars by 2025, ultimately to be marketed to a wider public. Renewable electricity sourcing is also a goal for factories, facilities and venues." What other areas would you like to improve?

Improving diversity throughout our business is an area we are focusing on, particularly among drivers. We are working on an all-women championship series to help increase the number of female drivers entering the business. The last time a woman qualified to compete in an F1 race was 1980. We will try to attract younger women into the sport by sponsoring educational programmes and increasing awareness of the sport outside its traditional fan base. We are moving towards a more inclusive, less exclusive sport.

You have said that "sport is at the centre, but entertainment in general is what we are." What areas of business and industry are destined for future success?

I strongly believe that, although digitalisation and the "metaverse" get a lot of attention, the manufacturing sector will continue to play a central role in our future. It has always been resilient and able to react to the market evolution, and I am sure this will happen again.

In terms of our sector, the entertainment industry has incredible potential for us.

> "I believe that success is the ability to have a harmoniously balanced working and private life."

We want to create great racing and a unique experience for spectators. Therefore we want to create an event that combines racing, entertainment, music, excitement, and action. In this way, we will have broad appeal and stay relevant.

Has your definition of success changed over your career?

Never, because I believe that success is the ability to have a harmoniously balanced working and private life. I am a firm believer in the need for everyone to be seen as a positive role model in the context in which they live and I believe that is a universal and unchanging truth. ■

For more information on F1, contact Dario Longhi: dlonghi@clairfield.com.

Growing companies in a positive way

Edmund Lazarus

Mark Joseph

EMK Capital demonstrates that careful analysis, ESG goals, and a positive business environment are fundamental to achieving business success.

Edmund Lazarus, Managing Partner of EMK Capital (Enterprise, Management, Knowledge) has been a senior private equity investor for about a quarter of a century, initially at Morgan Stanley Private Equity, then at Bregal Capital, which he co-founded in 2002, then at EMK. Prior to his PE career Edmund worked at Bain, S.G. Warburg, and Merrill Lynch. Edmund served as Chair of Finance and Deputy Leader of Westminster Council, the city government of central London, from 1992 to 2002; as Chair of Finance of the London Development Agency, including involvement in creating the London 2012 Olympic Legacy, from 2008 to 2012; and as Chair of the London Green Fund from 2012 to 2016.

Mark Joseph, Managing Partner of EMK Capital, has three decades of private equity investment and financial advisory experience. Mark was previously one of the four founding Partners of Oakley Capital in 2007. Prior to joining Oakley, Mark was a Managing Director at UBS Investment Bank (formerly S.G. Warburg) where he advised on more than EUR 60 billion of transaction value and where he originally met and became close friends with Edmund more than 30 years ago.

Edmund Lazarus and Mark Joseph are longstanding friends who founded EMK Capital in 2016. EMK and the Managing Partners' track record across 43 investments and nearly 200 add-on acquisitions have delivered a 4.4x MoC and 33% IRR on the 24 exits so far. These returns have been achieved by growing the EBITDA of the invested companies at more than 25% per annum with an average EBITDA at exit about five times greater than at the initial investment. This growth has been achieved equally between organic growth and add-on acquisitions, with a majority of the capital deployed to support growth after the initial platform acquisition. This proven record of delivering transformational growth is highly attractive to entrepreneurs and management teams seeking the right partner to achieve the full potential of their businesses. EMK now has AUM of more than EUR 3 billion and manages capital for many of the most experienced and prestigious Limited Partner investors in the private equity asset class.

EMK has a team of over 60 people across its offices in Amsterdam, Frankfurt, Jersey, London, Milan, Mumbai, Munich, Paris, and Singapore. EMK has a particular history of successful internationalisation of portfolio companies, having grown them organically and by acquisition into more than 100 countries worldwide. EMK also has a long history of working with Clairfield partner firms.

EMK has established itself as a highly respected player in European midmarket private equity. The business has been very successful since its inception, and has received recognition for EMK's and its portfolio companies' ESG impact, receiving the British Venture Capital Association award for excellence in Environmental, Social and Governance in 2021.

> **"Success means when we step back after we sell a business and review our hold period, we can be proud of what our companies have achieved."**

What does success mean in your business, and how do you measure it?

Ultimately, we exist to achieve the objectives of our underlying investors, known as Limited Partners (LPs). We are fortunate to have been able, from inception, to select the LPs we work for. Therefore, we know they share our long-term mindset and our belief that the best financial returns will come from creating value for all stakeholders, including the societies our businesses operate in.

We create value primarily by supporting the entrepreneurs and management teams we work with to grow and create wealth and jobs faster than competitors. Our deep commitment to ESG aligns completely with that approach and the values we share with our LPs. You can only grow companies in the way we do by demonstrating to all their stakeholders that you are making lives better and helping, not harming, our environment.

Success means when we step back after we sell a business and review our hold period, we can be proud of what our companies have achieved. We want to deliver transformational growth that can allow great financial returns, measured in MoC and IRR, great wealth creation for the managers, entrepreneurs, and employees of the companies we partner with, and quantified material ESG outcomes where we measure ourselves against the United Nations Sustainable Development Goals and multiple other metrics.

It's a big thing to claim, but so far, we feel we have hard proof we have achieved these goals. Now we want to do that on a bigger scale, even more internationally, to have a greater positive impact. That motivates the two of us and the fantastic team EMK has built. Success for us is also a function of how delighted we are to work with our colleagues whose energy and ambition keep us jumping out of bed each morning to get back to work.

We believe that all the above has made EMK attractive to founders and management teams and allowed EMK itself to grow so successfully and quickly.

Private equity situations represent about half of Clairfield's fees - what is it advisors do well (or miss), what do you value most in these relationships, and what advice would you give to an M&A advisor on how to maximise our relationship with PE, especially EMK?

We understand that advisors have deep wells of experience in transacting. We value that, and we enjoy working with experienced transactors. However, across our team, we have led the execution of hundreds of transactions, so we have profound expertise on the transactional side of things.

What makes the difference for us with advisors is their relationships with companies and how experienced advisors can, as a result, facilitate transactions that are the best outcome for buyer and seller. As we grow companies so much during our hold period, generally, this is most important for us when we are buying because by the time we sell, the businesses we own tend to be much larger and more prominent, and typically have built relationships already with the most logical potential buyers.

EMK likes to work in tandem with trusted advisors to build upon EMK's thesis-driven origination approach and create transactions. The key is understanding and contributing to matching the right business with the subsector theses we invest behind, based on real knowledge and understanding built up over time. We value advisors who are relentless in developing specific subsector knowledge and relationships. We prefer to work with a network of trusted advisors who understand our investment strategy properly, allowing us to find and execute investments more efficiently.

Importantly, for a firm of our size and resources, because we are thesis-driven and targeting growth, we can be very flexible in terms of size and location for initial platform investments. We also make a very large number of add-on acquisitions relative to other PE firms. That means we can partner with advisors very closely where there is a real mutuality of objective. When that happens, there can be multiple acquisitions and of course, the exit, which can be a very large transaction and is naturally one that our advisor partner will be well positioned to advise on.

An example is our investment in Williams Advanced Engineering (WAE), working with Clairfield International in London. We worked together for over a year on the thesis creation, understanding lightweight electrification and its potential for transformational growth. Then, working closely with Clairfield, EMK won over both the WAE leadership team and the Williams family to complete a bilateral investment. Throughout the hold period, we worked with Clairfield on investing in growth and transforming the end markets served by WAE's technology. Then we worked together on the exit, generating a fantastic result for us, Clairfield, management, and the original seller who retained a 25% minority.

You ask what advisors miss. In the midmarket especially, it is when sellside advisors assume that simply running an adversarial process in a traditional auction style with materials designed to oversell and overvalue a business is the right approach. Usually that alienates the best potential owner, who, by definition, is more knowledgeable. Typically, that results in a broken process or a late re-trade of terms by an investor who finally catches up with the reality of the situation, not the overly positive initial presentation of it. Occasionally this approach could result in an ignorant buyer overpaying, but then management and the business will suffer after the transaction. The best advisors see where a transaction is fair and makes sense for all parties and then use their skills to make that happen efficiently and often bilaterally. Clairfield's work with us on WAE is an excellent example of where exactly that happened.

Increasingly ESG factors strongly influence investment decisions within private equity. Has the definition of success in ESG changed over the last 20 years that you have been involved in private equity?

Yes, definitely. ESG is an integral part of the EMK investment and ownership process today. Each investment is assessed to ensure that ESG risks and opportunities are identified and managed in upfront screening, the investment process, and during the investment period. Individual portfolio companies' ESG initiatives are reviewed biannually, setting measurable targets for improvement.

The commitment to ESG initiatives is led from the top by the Managing Partners and the whole investment team, working with and assisting our portfolio companies. ESG considerations have matured significantly and become much more significant in our and the wider investment industry's decision-making.

For example, the "Bright Initiative" by Bright Data (a current portfolio company) is a pro-bono programme implemented to strengthen the company's ESG contributions. Through this programme, Bright Data provides its network and expertise for free, for example, to Covid-19 research organisations seeking public data from the internet to assist in tracking and tracing the illness' proliferation from

improved residential mapping. This is an excellent example of how our portfolio companies drive growth by proactively utilising the power, depth, and penetration of their global networks, ultimately leading to outsized returns.

EMK believes that improving ESG performance in our portfolio companies can enhance value creation by helping to capture opportunities and avoid risks that occur at the intersection of sustainability and commerciality.

Given EMK's culture of learning and improvement, which of your current or realised portfolio companies is a stand-out example of business success and why?

Reconomy was a GBP 200,000 EBITDA company operating like an old-fashioned open outcry market maker in construction waste recycling in the UK when we first became involved in it in 2009. At Bregal, we grew it to GBP 12 million of EBITDA, becoming the technology leader in driving up landfill diversion through recycling, generating an excellent result for Bregal from an initially distressed "hospital pass" situation our team had inherited, having not previously been involved.

EMK acquired Reconomy from Bregal in 2017, enabling us to significantly accelerate our plans to transform the company again, into the leading technology-enabled facilitator of the circular economy. We have scaled the business to lead across three related divisions: Recycle, Comply, and Reuse. We have taken the company to about GBP 100 million of EBITDA and clear leadership in all three divisions in the UK and Germany, which are the G7 economies with the most advanced implementation of circular economy regulation. Now the business is receiving interest from countries and corporations worldwide. We believe it has the potential to be a Fortune 500 company one day.

The special thing about this investment is that from a tiny start with a great and ambitious technology-led thesis, we have built a real engine of change, to improve our environment and make a massive contribution to our ESG ambitions while generating extraordinary financial value. We would be delighted if all our investments could be like Reconomy! ■

For more information on EMK, contact David Payne: dpayne@clairfield.com.

“Success is a journey, not an endpoint,” says Yasuo Nishiguchi, business leader, innovator, and academic

Yasuo Nishiguchi has had a diverse and successful career. The core of his career is over 30 years’ dedication in Kyocera, a Kyoto-based multinational ceramics and electronics manufacturer, during which he led the group’s development to a EUR 10 billion revenue business, as an engineer, president, chairman, and CEO. Undoubtedly, Yasuo is one of the most prominent business leaders in Japan. He currently serves as chairman of Yamada Consulting Group, Clairfield’s exclusive partner in Japan. He is also the executive director of Japan Innovation Network, a public-private partnership that fosters innovation in business. He serves on the boards of several industrial companies. The thread tying his activities together is his academic interest in innovation and technology, backed by his doctorate in technology management.

We are interested in what success means to you as a business leader, as an academic, as a promoter of innovation, and also as a Japanese executive with perhaps a different point of view from the westerners that we've interviewed. With your long career in different companies, some of which were entrepreneurial, some were long established businesses — was the definition of success different in each business?

This is a bit difficult to answer. But basically, you may be surprised that I would not use the Japanese word *seiko*, meaning success, as a goal for a business activity. Of course, there are some tangible projects or processes that we might deem "successful." But I would not use that word for a company.

The companies I have been involved with, for example, Kyocera or Yamada Consulting Group, really need to be continuously growing for the long, long term. In Japan we would say a company needs to consider the next 50 or 100 years!

I was president and then chairman of Kyocera. In that position my mission was to take what had been accomplished over the years in company history and then grow the company to the next level to hand it over to the next generation. When I was president, I helped grow the company's revenue from JPY 1 trillion to JPY 1.2 trillion and profitability was doubled. But even that, I would not consider a success but rather, as one of the processes of the company growing and meeting the future. That is what I would consider my true achievement in the company.

I became the chairman of Yamada Consulting Group three years ago, and I feel that my role is to build on what Yamada has as a base to create the possibility of future growth so that the company can be a model consulting group tomorrow and the day after. We've encapsulated this philosophy in a one-page document on display at the office, so everyone at the company is very familiar with this strategy.

In sum, I believe that my definition of success may be very different from the way you see it. For me, it's a long journey, not an end point.

That's a very interesting point of view. Do you think this is typical of the Japanese way of looking at things? In Japan you have so many small businesses that have existed for hundreds of years. Would they share your idea about growth, or is it more about survival from one generation to the next?

Yes, this outlook is probably part of Japanese culture. Historically, Japanese companies were not used to selling companies, for example, but rather would continue with their own management. Where I live in Kyoto, there are companies that have remained in business for 400 or 500 years and traditionally that longevity has been valued in Japan. So, it could be said that this kind of thinking about success is part of the Japanese psyche.

> "There is a clear downside to fear of risk. When you are afraid of risk, challenges that lead to innovation will also be difficult to overcome. Playing it safe does not lead to innovation."

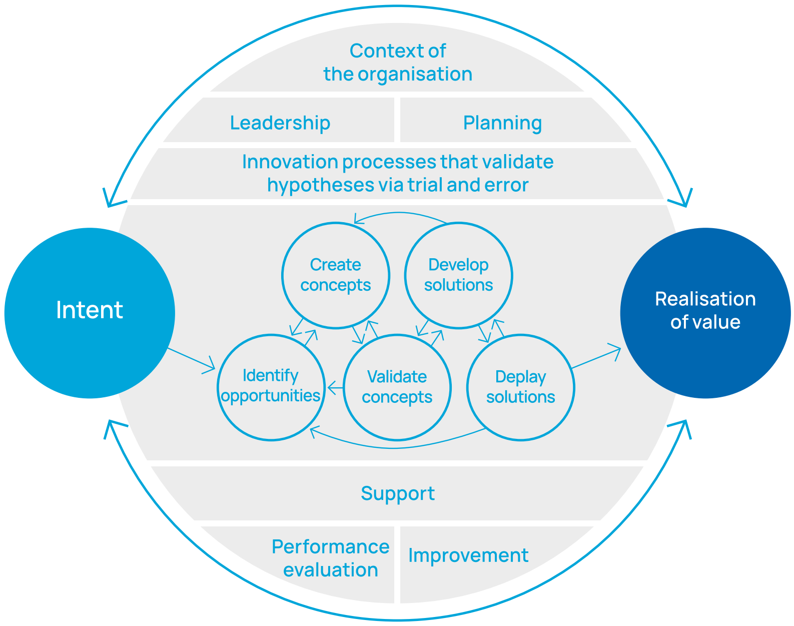
You do believe that tangible products can be a "success" though?

This can be the case in taking a short-term perspective on a business. For example, say we predict market demand for a product in three or five years. First I would clarify the marketing of the target product: what price point, what capabilities, what technical specifications, and which launch date. In the next step we would plan production, looking at what kind of technology is necessary, how to manufacture the product, and at what cost, which will also depend on what price the market will accept, all within the determined time frame. Everything must be clearly planned before proceeding. When the product is completed and goes on the market three years later, and the market responds well, and we are also happy with the profits, then yes, we can evaluate this project as a success.

Basically there are two distinctions. As a company as a whole, no matter how the business changes, we are required to continuously grow. And, while on a path of continuous growth, it is very difficult to stop at a certain point, look back, and claim success. On the other hand, if we achieve specific goals with a product or specific business to cater to the demand of a certain era, then of course these achievements can be evaluated as successes. It is a question of long-term strategic planning in one case, and clear target and specific implementation in the other case.

When setting these, let's call them targets rather than successes, do ESG and sustainability issues enter into the equation nowadays in Japanese business?

ESG is an important factor for Japanese companies as well. For example, our manufacturing businesses, and not just Tier One companies like Toyota and Nissan, but also the suppliers to those big car manufacturers, are conscious of sustainability issues. All Japanese companies must face the challenge of what it means to do business in a more sustainable way and this is a topic in boardrooms across Japan.



IMS Compass
(designed based on ISO56002)

Tell us about the startup culture in Japan. What area in Japan has a particular startup culture like Silicon Valley or areas in Berlin or London?

There is not really one place like Silicon Valley in Japan where startup companies gather in one location. For startups that have spun out of academic research and are backed by universities, they tend to be located near those universities, which are spread across the country.

I am currently a board member of two startup companies, but those two are not specifically clustered in one place.

Can you tell us more about these two startups?

One of the companies develops power semiconductors that will be essential for the future of electric vehicles.

The other is engaged in microwave technology. You know microwaves do magic in the kitchen, but microwave technology has not been successfully used in industrial applications. We are getting there with this startup, which is a huge innovation. And if the technology becomes successful, it will create new values in the worldwide market. I have very high hopes for this startup!

Speaking of startups compared to long-established companies, do you notice a difference in business attitudes towards success?

There is a clear difference between startups and long-established companies. Startups are small organisations with small amounts of capital, so any positive or negative results have repercussions on founders and staff themselves. If they achieve the plan, then they will have those returns to themselves; if they fail, they alone will bear the consequences. From that perspective, they are more impacted by the results. Whereas, if it's one division in a long-established big company, results will not be reflected upon an individual as it would be to the startup members. So there is a clear difference between how the two types of companies see the importance of those results.

The microwave company I mentioned before is a good example. It had an IPO last June. The original stakeholders received stock options beforehand. After the IPO, they will be exercising those stock option rights and getting returns from the market for themselves.

When you look at the IPO, you could call it a success. But it's just one moment in what will be a longer timeline. The company needs to continue to grow and to meet investors' expectations. The success of the IPO is not an endpoint.

And what about business failures? Are people afraid of risk or do they understand that failure is something that you can learn from?

In Japan, it is true that employees are scared of failure.

As a company grows, at some point the founders step back and, as time goes on, typically some employees are promoted and become management of the company. Once in that role, they are more averse to taking risks. They are certainly not as proactive as their counterparts in the US in terms of risk taking.

There is a clear downside to fear of risk. When you are afraid of risk, challenges that lead to innovation will also be difficult to overcome. Playing it safe does not lead to innovation.

In my work with Japan Innovation Network, I actively work to encourage Japanese companies to proactively work on making innovations.

Can you tell us more about the history and mission of the Japan Innovation Network and your work there?

I serve as executive managing director of Japan Innovation Network, which is a representative of the International Organisation for Standardisation (ISO) and works to expand its ISO standards, particularly those regarding innovation, in the Japanese market. We work together with the private sector and government ministries.

ISO 56,000, which deals with innovation management, only started being used in Japan almost three years ago and is now used by around ten large international companies, such as Hitachi. Innovation is a long-term process so we expect to achieve some innovation results in maybe five to ten years. With the value of innovation to society it is worth the wait and investment.

Seeing a company achieve innovation is one of my highest satisfactions.

Tell us about your pivot to academia. How did that come about and how does it fit in with all your other activities?

I have worked in the business world for more than 30 years, reaching the top management of large companies. It was after that period that I studied for a doctorate in technology management. I have also taught as a professor at university. With both practical business experience and academic experience under my belt, I came back to the business world but now I also contribute to activities such as the Japan Innovation Network, which is neither business nor pure academia. Going back to academia has contributed to and enriched my business thinking.

For the younger generation, it is very important to take in academic knowledge or read academic books or papers that relates to our business. Ten or 20 years later we will see the fruits of having dedicated time to academic work. Like innovation, it's a long-term investment.

As the chairman of Yamada Consulting Group, I aim for an entire business system that encourages employees to work strategically by thinking about tomorrow and doing today's work. We regularly attend a midterm strategy conference where we set future plans. That helps employees to think strategically, about what they need tomorrow rather than only doing what is immediately in front of us.

Is that typical for a Japanese company? Yamada has a young and dynamic M&A team, with many women, which is unusual in this business and perhaps unexpected for Japan.

Yamada Consulting Group is rather young in the Japanese market, with 30 years of history. It is still growing and perhaps as a consequence, we have a young generation, compared to, say, traditional manufacturing companies with longer histories.

Yamada has a lot of women on many levels and in management positions. We do feel that women are a key factor moving into the future. At Yamada, we aim to create a good working environment for women to achieve success in the company. For example, remote working has been a boon to women or anyone who both works and takes care of small children. Japan will be changing in the future to be more flexible and make it easier for women to take on important roles.

This goes hand-in-hand with knowledge management where I have also been taking a lead in establishing a system. This is important because by sharing and utilising knowledge that each individual has, Yamada will be a more efficient organisation, regardless of whether teams work from different places or in the same office. To promote remote working, you also have to promote this knowledge management.

As a final question, how would you define a successful life?

As I explained before, I do not have a definition of success. Throughout my life I have tried to achieve my visions and dreams. I am still working on new things and new businesses, and that is still a part of a process in my long life. I do not evaluate my life by looking back but I am satisfied in the present.

Later this year I will give a speech at the high school I graduated from, with the theme "a creative and active life." The high school students and graduates in the audience may look at my career and work, and think that I am a successful man. The way I look at it, I have lived my life creatively and actively. I want to tell people, especially the younger generation, that because the future and the environment change, no matter where you are in life, being creative is the most important thing. In picturing your goal clearly, and then working to achieve that vision, creativity is the key factor. Life is basically doing this over and over again, a series of goals! Success isn't looking back. It's looking forward and creating something for the future. ■

For more information on Clairfield's access to Japan and ASEAN, contact Ayano Nakaji: anakaji@clairfield.com

Smart and green are the Leadec factories of today and tomorrow

Smart factory and green solutions are the keys to manufacturing success and staying ahead of the curve

Markus Glaser-Gallion is the visionary CEO of the Leadec Group who has worked to establish the company as a premier global service specialist for modern and future factories. With a background in management at Voith Industrial Services, Markus has expertly guided Leadec through significant growth and development. In 2015, he took on the role of chairman of the management board, and since the company's acquisition by Triton in 2016, he has served as CEO.

Leadec is the leading global service specialist for factories across the entire life cycle and corresponding infrastructure. Headquartered in Stuttgart, the company boasts a workforce of 20,000 and generated sales of around EUR 1.1 billion in 2022. With 60 years of experience supporting customers along the entire production supply chain, Leadec offers services at over 300 locations, often directly on-site at customer facilities. With Markus at the helm, Leadec remains ahead of the curve in the manufacturing industry. In this interview he shares his insights with us.

What does success mean in your business, and how do you measure it?

I consider it a great success that we, as a company, have succeeded in accompanying the automotive and manufacturing industry in its transformation and in reinventing ourselves again and again in the process. Leadec was founded in 1962 as a boiler cleaning company and has undergone a comprehensive transformation over the past 60 years. Today, we offer services across the entire life cycle of the factory – from planning to end-of-life. We ensure that all technical processes run smoothly at more than 300 sites worldwide and that factories are fit for the future. Our longest customer relationships have lasted for 60 years, and our contract renewal rate is over 90%. Creating a successful, proud, and growing team within a safe work environment is essential in measuring our success.

What areas of business and industry are destined for future success?

We see the automotive industry's transformation to e-mobility as a great opportunity and a real growth market. Our technical services are needed more than ever in the battery environment, and the industry has been forced to transform and rethink the automobile from the ground up. The product, the design, the associated supply chain, the factory layout, the machines, and the systems have all had to adapt or change. And, above all, the workforce has and will have to adapt to producing new and different cars than before. At Leadec, we accompany this transformation right from the start with our engineering, automation, and operating concepts. Once the factory is up and running, we also provide site services such as facility services and maintenance. Inside, we take care of the assembly of the battery components, complete batteries, and vehicles.

In addition, producing cells and batteries is a new industry that is developing, especially in Europe and North America. These companies need support in industrialising their production. We see ourselves very well positioned in the planning, automation, and conversion of e-car production lines and in the ramp-up, operation and maintenance of new plants for battery cell production and battery system assembly.

Your tagline, "We love your factory," emphasises that you work with all types of factories to ensure their businesses remain successful. Can you tell us more about other industries in which you create value as a service specialist for the factory?

Yes, automotive remains the core of our business. However, we have broadened our strategic base in recent years. Our strategy focuses on companies from the warehouse, parcel distribution centres, and fast-moving consumer goods (FMCG) sectors, as well as others from the manufacturing industry. We benefit from our experience in the automotive industry with its very high standards in these sectors. In 2020 we acquired Diversified Automation, an automation controls and software solution provider in the US for the parcel industry, a market segment thriving due to the growth of e-commerce. We are now working on bringing this expertise to parcel distribution companies in Europe and offering them our on-site services, allowing them to focus on their core competencies.

In 2022, you added Green Factory Solutions to your range of services. What role does sustainability play for your company and your industry? Can you tell us more about this concept and how it has added to your customers' success and to the environment?

Sustainability plays a major role in our portfolio and our corporate processes. We are continuously working to reduce our own environmental footprint through annual energy savings of 20% or a high waste recycling rate of 92%. Leadec provides green services throughout the entire life cycle of the factory. So we understand our customers' challenges in achieving sustainable production and incorporate our experience into Green Factory Solutions. With these green factory solutions – which mean less waste, emissions, or energy consumption – we enable our customers to achieve their own goals around sustainability. We are constantly expanding our portfolio to be a strong partner and support our customers on their way to becoming a zero-emissions factory.

> **"We see the automotive industry's transformation to e-mobility as a great opportunity and a real growth market."**

For our achievements in the area of sustainability, Leadec was awarded a silver rating by the independent rating agency EcoVadis. The ranking provides customers and partners with transparency on how we exercise our responsibility regarding the economy, social issues, and the environment. Sustainability also plays an increasingly important role in the financial market. We are very happy that the Sustainalytics rating agency has rated Leadec's risk of significant financial impact from ESG criteria as low. In the commercial services category, we hold a top global ranking of third out of 183. Additionally, we are the first company to enter an ESG-linked factoring agreement in Germany. The principle behind the innovative ESG-linked factoring model is simple and transparent: the more successful our commitment to sustainability is, the more favourable the financing becomes.

What sustainability challenges do your customers face?

Greater sustainability in production is one of the core objectives of manufacturing companies, and this can be achieved, for example, by using renewable energies, minimising waste, and emissions, or using power more efficiently. Due to the number of different regulations, many customers also need advice on how best to implement their objectives. Detailed production processes need to be thought out right from the start, and a sustainable approach must be consistently pursued to the finished product to achieve a high sustainability standard.

Firstly, all manufacturing sites have energy-intensive areas, such as the pressing plant or paint shop in automotive production. These are the areas where you can achieve the greatest energy-saving effects. The company's own power plants are often on the premises and often still run on gas. Generating your own electricity from renewable sources can be a major lever. Secondly, there is a lot of potential in avoiding energy losses or increasing energy efficiency in the production process. You can implement solutions such as installing better insulation, avoiding leakages, or using smart regulations. And thirdly, factories need to avoid producing waste and wastewater. If waste is generated, it should be as harmless as possible; this can be achieved by using sustainable or less cleaning products, as well as by avoiding or reducing packaging, or using reusable materials.

How do you help your customers reach their sustainability goals?

As service specialists for factories, we help our customers improve their sustainable footprint. With the Green Factory Solutions that I talked about earlier, we help our customers on their way to an emissions-free factory and to achieving their own sustainability goals. With energy-related solutions, we are driving forward the decarbonisation of the factory.

As a first step, customers want to understand the energy-saving measures available (Green Consulting), record the associated emissions, and optimise the energy load (Green Reporting). The next step is to return existing heat to the energy cycle through installations such as heat pumps/ heat recovery or induction systems (Green Installation).

The second step is to achieve CO2 neutrality. In some cases, customers purchase green electricity; in others, they generate it themselves, through solar plants or wind turbines, for example. Then the electricity is fed directly into production, or charging stations are set up for the forklift fleet, which is converted to electric vehicles. These measures all belong to the area of Green Installation.

At this stage we can already see measurable improvements. Some customers go one step further and completely modernise their factory infrastructure by installing battery storage systems across the board and converting the AC

power grid into a DC grid. Intelligent control systems in HVACR (Heating, Ventilation, Air Conditioning, Cooling, Refrigeration) and lighting are being installed or retrofitted. A few customers take the last step and invest in power-to-X technologies to generate the necessary operating materials from green electricity, such as hydrogen, through electrolysis processes — these improvements we provide within the scope of our Green Installation, Green Metering and Lighting services.

Another starting point is providing circular economy solutions for factory waste. Our Green Waste Services help customers to intelligently record, collect, sort and, if necessary, dismantle waste. Green Chemistry helps to make operating materials in the cleaning process biodegradable and thus prevent environmental harm. With Green Automation, we offer automation solutions for recycling, among other things.

What role does M&A play in your further development?

In 2022 Leadec achieved more than one billion euros in sales for the first time. We will continue to grow both organically and through acquisitions. We have already undergone a significant transformation in terms of the technical focus of our service portfolio and have significantly expanded our footprint, particularly in the US and UK. M&A has been a great way to complement our competencies regarding our Green Factory Solutions. Our approach is to integrate several smaller targets to offer our clients the best solutions.

How do you successfully integrate acquisitions?

The companies that become part of the Leadec Group are very diverse in terms of their size, services, and geographical footprint. We decide in each individual case what the best integration strategy is. This ranges from the decision for a company to continue operating independently to direct integration or with a certain transition period. This way, they are given optimal conditions to continue to achieve their sales targets. However, one thing is essential to us: not only must they complement our portfolio well, but they must also fit well with Leadec in terms of their culture. We are a people business, and therefore this is a decisive factor. Many of them have been family-owned and are now excited to be part of a bigger group which offers them new opportunities. The integration of different business areas and teams is my passion.

On a personal level, has your definition of success changed over your career?

Yes, it has. When you're younger, you're more likely to have ambitious goals in terms of revenue, customers, or geographic footprint. But over the years, you learn constant transformation is the most important thing. And I am proud to say that we have managed to adapt Leadec to all the changes in the industry or even drive them ourselves. That is why, after 60 years, we are still a reliable partner for our customers and will continue to be so in the future. Because our vision is to be the leading service specialist for the factory of today and tomorrow. ■

For more information on Leadec, contact Dirk Freiland: dfreiland@clairfield.com.

Bringing healthcare to the remotest of places with H4D's telemedicine cabins

Franck Baudino had a calling to medicine at a young age and became a doctor in 2004. He started his career in France's public health sector and later joined humanitarian missions with organisations such as Doctors without Borders and the United Nations. He worked under Kofi Annan (UN secretary-general and Nobel Peace Prize winner), and shared Annan's belief that access to healthcare is crucial for sustainable development.

It was while Dr Franck Baudino was managing an emergency sanitation network in India that he recognised the potential of technology to work for patients, creating a tight network of telemedicine access points in poor and emerging countries. This model could also be replicated in wealthier countries in areas far from medical centres. Franck's first invention was a "Consult Station," the first locally connected telemedicine booth.

Back home in France, Franck founded the H4D company. Following more than eight years of research and development, and a further six years perfecting telemedical techniques, Franck and his team designed the telemedicine booth. The patient sits inside and can be tested on cardiac frequency and blood oxygen level, undergo visual and hearing exams, receive an EKG, and even a dermatology scan, while a physician, located perhaps thousands of kilometres away, diagnoses any issues.

The H4D business model is unique in telemedicine, and has growing relevance in a connected world where providers may not be able to meet in person, due to distance or disease.

What does success mean in your business, and how do you measure it?

When I first started H4D, my main goal and definition of success was pragmatic and simple: the capacity to develop and install cabins that could operate in emerging nations to improve the health conditions of people without access to healthcare. I've been concerned with this issue since my career at the UN.

Nevertheless, this definition has now changed for me, because of several factors:

- The lack of reliable internet access that used to affect many parts of the world (much improved since the use of satellites).
- Cost of the equipment, as most of these countries were focused on more basic needs (it costs around EUR 2900 per month for one cabin).
- Hurdles to financing and recruitment for international reach (for both commercial and maintenance teams).

I now feel that success depends on the quality of the service provided, and our capacity to simply save lives every day, thanks to the installation and operations of our cabins in large corporations, cities, and the countryside, giving access to medical exams to more and more people, even in wealthy countries such as France. It is measured simply by the number of lives saved and the detection of specific diseases that could be missed without an exam.

Does your company have 1, 5, or 10-year goals and who sets these?

Our short-term goals are to position H4D in Europe as the first connected local telemedicine booth, ensuring quality of exams, and satisfaction from patients and doctors.

This is supported by a class IIA medical device that ensures quality medical practice. The Consult Station®, its constituent medical devices, and the Consult Access software are certified class IIA medical devices (MD). The Consult Station® combines hospital-grade medical instruments and sensors with screens and a communication system to produce highly reliable and reproducible medical data. This high standard permits doctors to carry out clinical exams and make medical diagnoses remotely just as they would in their in-person practices.

In the medium-term (three years), this high-quality approach will enable us to position the company as a clear independent leader in Europe, as demonstrated by our blue-chip clients and credentials. Airbus, Bouygues, BNPParibas, Yvelines and Haut de Seine regions (a EUR 25 million contract), and AXA are examples. Our business model is not based on volume or fee sharing related to a medical procedure or test. Our revenue is based on the number of cabins in use, with a monthly subscription payment.

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Our short-term and strategic goals are fixed by the strategic committee led by myself, and challenged and supported by the PEs that financed our first EUR 25 million capital increase (Atoga, Aviva France, BpiFrance, LBO France, Supernova Invest, and a family office).

What has been your biggest business failure, and how this has led to your success?

The biggest business failure could considered the longer-than-expected timing needed to develop an efficient cabin, and to get all state-of-the art technical functions running perfectly. The delay created cash pressure, but has now led to our having the best cabin on the market with high satisfaction rates (over 96%) from both doctors and patients.

Quality and satisfaction are key and we have now a presence in seven countries, with offices in Paris, Milan, Lisbon, and London. In other countries, H4D has created strong partnerships with local actors to launch and operate health projects.

Is successful entrepreneurship down to skill, luck, or money?

It is a balanced mix of all these factors. Skill is crucial in medicine, for the accuracy of diagnosis, and approval needed for equipment put on the market. Money, of course, is also crucial as we employ highly skilled people, such as doctors, engineers, and digital and data scientists, and we also need to invest in manufacturing capacity as we want to control the quality of products, and our IP.

Luck is also a factor. For instance, Covid has boosted telemedicine, and acceptance from patients to see a doctor at a distance. Companies in Europe that connect patients and practitioners, such as Doctolib, have seen a huge increase in activity and market penetration thanks to this. This was also the case for H4D: we have joined international efforts against coronavirus by offering hospitals a quick, effective, and reliable solution to streamline incoming patients and reduce waiting times. With the Consult Station®, patients can be tested on four key vital signs in five minutes. This allows for rapid identification and triage of suspected coronavirus cases while reducing the risk of infection for health professionals.

In your industry, what has been the most interesting and successful merger and acquisition?

The telemedicine industry remains fragmented as legislation differs in each country, and operating authorisations take a long time to obtained. Even in the US, it is complicated to operate at a federal level, as each state has its own policies and decision-making.

There are some big players in telemedicine, such as Teladoc (US, around USD 2 billion in revenues), or AmericanWell (NYSE: AMWL, around USD 270 million in revenues), but none of them seems to have developed a cabin with such efficient features as ours. Teladoc merged in 2020 with the US company Livongo Health (digital healthcare platform, a USD 18.5 billion transaction), and American Well acquired Silvercloud Health Limited in 2021.

These companies could enter into Europe by acquisitions.

What are the areas of business and industry that are destined for future success?

In Europe, we need to provide quality healthcare everywhere and for everyone: this is our mission in a nutshell. As such, H4D is working to improve access to healthcare in underserved urban communities.

Residents of disadvantaged neighborhoods are particularly affected by increasing shortages in healthcare. Economic, educational, and social barriers intensify health inequalities and lead patients to give up on healthcare.

We also have to target smart cities. The smart cities of today and tomorrow are based on a new urban experience. Movement and lifestyle data are analyzed to optimize delivery of municipal services.

H4D innovates by adding a connected health component, which will become an integral part of the urban ecosystem, to the Smart City concept. Through a network of telemedicine booths, we will be able to monitor residents' overall health, obtain quality information on environmental and health risks, and deploy prevention programs that will be adapted to everyone's needs.

Has your personal definition of success changed over your career?

Personally I now define my success as not only having created and developed a solution to save and improve lives, but also having created a business community and team of employees proud to work for H4D. I will be satisfied to see H4D still exist in the coming 30 years, and still reaching people who face isolation and poor access to healthcare. ■

For more information on H4D, contact Bertrand Hermez: bhermez@clairfield.com.

At Şişecam it's crystal clear: Glass is an object of success (and has been for more than 3,500 years!)

Prof. Ahmet Kırman is chairman and executive member of the board of Şişecam. He has had a long career in law, banking, and insurance as well as in academics. In recognition of his contributions to glass science and technology, Prof. Kırman received the President's Award from the International Commission on Glass. He was awarded the honour of Cavaliere of the Order of the Star of Italy for his contribution to economic relations and mutual investments between Italy and Turkey, one of many international honours. Prof. Kırman has authored 12 books and numerous scholarly articles and has been a key speaker at many scientific and business events.

Şişecam puts sustainability at the heart of its operations, investments, governance and social responsibility processes.

Glass is everywhere; we rely on it every day. It protects, contains, insulates, is impervious to the natural elements, and is recyclable and highly versatile: glass is the epitome of success.

Şişecam is a global player in key areas of the industry, such as flat glass, glassware, glass packaging, automotive glasses, and glass fibre, as well as in soda and chromium compounds. The company sells its products in more than 150 countries and employs more than 24,000 people. As quoted in *Forbes*, Görkem Elverici, CEO of Şişecam, said, "we need to celebrate this miraculous material because it can transform the world into a better place. Without it, we would never have reached the moon, nor will we ever step on Mars." In this interview Prof. Ahmet Kırman shares his vision of success in the glass industry.

Glass has historically been a symbol of success. But what does success mean in your business, and how do you measure it?

Şişecam operates in diverse sectors and has a wide production footprint in 14 countries on four continents, so we take a strategic portfolio company approach in our decision-making, with different roles and goals for each business unit and geography.

Even though we set the benchmarks differently for the various business units, the main pillars defining our success are industry-leading quality products, cutting-edge technology, and customer satisfaction, all undertaken within our sustainability strategy.

With a history spanning 87 years, Şişecam is one of the most established industrial enterprises in Turkey and ranks among the world's most prestigious manufacturers thanks to its expertise and highly competitive operations.

Has the definition of success changed over its years in business?

Şişecam was founded by Mustafa Kemal Atatürk, renowned leader of Turkey and one of its first industrialists. During its foundational era, success had a very simple definition: meeting the domestic demand for glassware and glass packaging. Over the years, the demand for glass increased, both in terms of volume and of variety of product offerings, so Şişecam responded by broadening its product portfolio. After becoming a regional force with multiple business units in the glass manufacturing industry, Şişecam began to focus on technological advancement and R&D activities.

Since the 2000s, Şişecam's definition of success has focused on globalisation by expanding our presence worldwide. Şişecam aims to be one of the top three global players in its main fields of activity, and our definition of success revolves around this target. In parallel, we aim to improve and streamline our operations. Remaining agile is key to our durability. We have created the resources and capabilities to maintain a competitive position globally in an era with challenging economic conditions and uncertainties.

In 2020, Şişecam successfully merged its four main fields of activity. Can you tell us more about the rationale of this merger and what you hoped to achieve with "One Şişecam"?

Şişecam consolidated its business units (flat glass, glassware, glass packaging, and chemicals), under a single roof at the beginning of 2020. Individually traded companies Anadolu Cam, Denizli Cam, Soda Sanayii, and Trakya Cam were consolidated under one Şişecam company, aligning the legal structure with the management structure. As a result of the merger, the Group's legal entity and shareholding structure were simplified and created greater value for all the stakeholders. The merger process of the highly complex individual shareholder structures, each of which were subject to strict regulations, can be considered a tremendous success since it was completed in a relatively short time considering the scale of the operations.

We then adopted a dynamic portfolio management approach to achieve a more customer-centric and agile operating

> **For us, successful business is owed to knowledge, excellence in execution, and dedication.**

model. In parallel with the "One Şişecam" vision, portfolio-wide success is the top priority to ensure sustainable value-creating growth. Meanwhile, digitalisation was given high priority as a key component of corporate success. Digital transformation at Şişecam is a journey that never ends and will continue for further growth.

As a benefit of consolidating our main fields of activity, Şişecam has opened new doors in terms of competencies and resources by improving and strengthening supply chain organisation and infrastructure transformation and digitalisation. We were also able to position ourselves more strongly in terms of access to financing and credit by consolidating the solid financials of all business units. Greater financial flexibility allowed us to seize new opportunities to expand our capabilities.

From the investors' perspective, with the merger Şişecam became the only company of the Group that is traded in Borsa Istanbul. The increase in the trading depth of the stock with the increase in the free-float ratio made Şişecam's shares more attractive for long-term corporate fund investments, and that has added to the company's value. With investor sentiment toward Şişecam growing positively, we attracted additional foreign investors by providing a remarkable investment opportunity in global capital markets.

Is careful strategic planning the key to Şişecam's success?

With the current extraordinary circumstances globally, the crucial role of strategic planning has become more valuable. To provide business continuity in an era in which the world is facing uncertainties in various business areas, such as supply security, energy price volatility and market expectations, risk mitigation plans and scenario planning have become fundamentals for Şişecam's strategic planning.

Although Şişecam is a global manufacturer, an entrepreneurial spirit underlies our company vision. Benefiting from years of experience, we understand the need to transform to align with future needs. So Şişecam invests strategically to ensure the company remains both agile and durable.

Şişecam achieved the ability to secure financing through our sustainable business plan and efficient global operations. At Şişecam, we develop our internal processes by adopting a scenario-based continuous risk-assessment approach. Şişecam maintains a solid corporate-decision making structure and benefits from the competitive advantage of taking rapid actions against risks and evaluating opportunities in relevant markets. For us, successful business is owed to knowledge, excellence in execution, and dedication.

What areas of business and industry are destined for future success?

After the pandemic, the world evolved, and the needs for the future became clearer. Even though technological advancement and supply chain security turned out to be critical drivers for the future of manufacturing, other aspects of global well-being also entered business leaders' scope. In terms of providing solutions for the energy crisis, global warming, and humanitarian needs such as food and health services, glass stands out as one of the most strategic materials of the future with superior aspects that support sustainability targets.

Şişecam sets the trends and manufactures future products by combining its production power with excellent R&D competence. Research and technological development have crucial roles in remaining competitive in the race to

develop future products and production technologies. Making the R&D culture one of our building blocks, Şişecam took the first step in its product and technology ownership strategy in 1976 and has been improving since then. In 2018, Şişecam, which established one of the first private sector R&D centres in Turkey, strengthened the relationship between the rings in the value chain leading to the product and gathered its R&D and design activities under one roof called the "Şişecam Science, Technology and Design Center."

Glass plays a key role in many fields, from transportation to housing, architecture to energy, and health to communication. Thanks to its unique structure and diverse uses, it directly serves the United Nations' sustainable development goals. Many scientists and industry leaders highlight the value of innovative R&D in the glass manufacturing industry by naming the incoming era as the "Glass Age." Şişecam will continue to expand its products and offerings by further developing technologies to be the pioneer of this era.

How are long-term success metrics and regional or sectoral leadership goals and KPIs set?

Şişecam combines qualified labour with smart technologies to achieve its goals quickly. The overall strategy to set the KPIs is similar across all business units, stating strategic priorities, projects, targets, and actions by numbers and including them in five-year financial projections. Cash flow and EBITDA generation performance, net debt/EBITDA, ROE, and ROIC performances are evaluated for growth strategies. Given current uncertainties, scenario, and sensitivity analysis will be crucial. Risk and mitigation actions are needed to act proactively for each of our strategies. In addition to business-unit targeted KPIs, all units are aligned around Şişecam's sustainability targets. Our "Care for Next" goals are included in the KPI sets and are cascaded within our business units.

How do you position your Group's future strategies, growth prospects and success with respect to expected global developments in the sector?

For example, the flat-glass market is expected to be driven by the rapid growth in demand for electronic displays worldwide. Flat glass with anti-reflective coatings is used to decrease glare from televisions, computer screens, glass cases, and other electronic displays. Self-cleaning glass may also be utilised for outdoor digital signage.

Applications and new products based on glass, described as "futuristic" in the recent past, are finding their places in our lives today. While glass is used in many industries in

the 21st century, the functions and benefits of glass are increasing on a scale that will challenge our imagination. Scientists, glass technologists, and industrialists continue to dedicate great effort to expanding the boundaries of the glass industry.

Şişecam also sets and follows the trends in the glass market. As the technology develops with significant momentum and the demand for high-quality glass increases, Şişecam is ready to supply for future needs. Presently, we are heavily focused on developing coating technologies for example, antimicrobial V-Block Technology which prevents the spread and reproduction of viruses and bacteria that can be transmitted through person-to-person contact on glassware. We are also focused on a specially coated anti-reflective glass that reduces glass-surface-reflection to below 1%. These are just some examples of the new technologies and products we have developed.

How is the Şişecam Group dealing with global risks from climate change, the energy crises, and other geopolitical issues facing the world today?

Şişecam takes responsibility for protecting the planet, empowering society, and transforming life in line with its sustainability strategy "Care for Next," which centres around the United Nations Sustainable Development Goals. The Care for Next strategy's fundamental drivers are to protect the planet, empower society, and transform life, clearly illustrating that Şişecam uses its broad experience and competencies to promote sustainable development in every aspect. Şişecam is advancing climate science-based emission reduction and net zero targets, such as halving greenhouse gas emissions worldwide by 2030 and reducing the footprint to zero by 2050, together with SBTi (Science Based Targets initiative) to prevent the acceleration of global warming.

Supply chain management also has a crucial role in mitigating risks regarding climate change and the energy crisis, along with global developments and sanctions. Maintaining sustainable corporate operations with sourcing circularity is a key goal for Şişecam. Resourcing efficiency not only benefits the operations of Şişecam, but also accelerates the process to achieve goals regarding our Care for Next strategy.

Şişecam shapes all investment, production, management, and social responsibility processes with a clear sustainability focused approach. To keep the focus on sustainability goals and ensure efficient supply chain management, supply chain management gets represented in the executive committee of Şişecam. Şişecam will continue to take concrete steps towards a sustainable future, aiming for continuous improvement with the "Care for Next" strategy. ■

For more information on Şişecam, contact Muge Tuna: mtuna@clairfield.com.

Mark Vincent of Chroma discusses his colourful career

Mark Vincent is the founder and president of Chroma Specialty Chemicals, a distributor of pigments commonly utilised by the automotive, industrial, and plastic industries. Prior to founding Chroma, Mark served as an owner and CEO of Dominion Colour Corp., a global specialty chemical company that produces a variety of pigments, where he started his career as an R&D chemist over 24 years ago. Mark's educational background includes an undergraduate degree in chemistry and a PhD in colour chemistry from Cardiff University in Wales.

To start off, how did you get interested in colour chemistry?

My career path was unclear to me until later on in my education. I graduated high school with the goal of becoming a veterinary surgeon, but I quickly discovered that I did not enjoy biology and instead decided to study chemistry at university as it was my best subject. At the beginning of university, I took several different chemistry classes before specialising in organic chemistry where I graduated second in my year. Upon graduating I was offered multiple PhD programs. At the time, colour chemistry was one of the more lucrative options in terms of career prospects so that is what I ended up choosing.

Following completion of your PhD did you have a particular career path in mind?

I knew from my undergraduate studies I wanted to stay in chemistry, specifically something in research, as that always interested me. My initial goal was to become the head of a research department and then ultimately to run or own my own company within the chemical field.

Once I had graduated, I started looking for a job. It was quite a process back then as there was no internet, so I had to go to the careers library to look for job postings. Initially my main goal was to find research positions, specifically in organic chemistry and organic pigments. I applied to small, medium, and very large companies before finally finding a job posting for a research chemist position at CIBA Specialty Chemicals in Scotland.

You joined the Dominion Colour Corp in 1999 and spent over 20 years there running the organic pigment arm. Eventually you got a chance to participate in an MBO of the company. Could you discuss your decision to pursue the transaction?

I have always been a business-focused chemist, as opposed to an academic chemist like a lot of my PhD counterparts. I joined Dominion with the goal of improving the company's return on investment. Dominion was attempting to expand and grow their organic pigment business at the time, and they brought me in to help develop and improve the organic pigment business at their New Toronto plant. At the time the plan was solely focused on generating volume, but their margins suffered as a result. I refocused the research and development on products with higher profitability and closing volume-focused, lower margin, highly competitive products. It took a while but eventually I led the organics business to profitability after it suffering multiple years of losses. In 2008 I was invited to take part in a management buyout of a business due to my success with turning around the organic pigment division.

What factors helped you be successful in the management buyout?

The buyout was challenging as we had no financial backers, and the offerings from private equity firms at the time were unfavourable to us. We had started working with Ken Moore at Clairfield Toronto who had suggested cutting out the third-party financing and structuring a deal directly with the sellers.

We flew to Tokyo to meet with the seller with a proposal that would result in his taking a big write-down on his investment, which he could use to offset gains in Japan for the sale of property that he had just completed. It was a very audacious plan that would not have been successful without the help of Clairfield.

During the MBO what was the management group's outlook for the business? Did you have a five-year plan? How did you define success at the time?

The goal at the time was to turn around a struggling business and see if we could get the business to a value of C$5 million. We were focused on the organic pigment product line which was finally making money but very small amounts. We had a five-year plan in place to continue growing the organics business through a combination of manufactured and outsourced products, with a focus on lower cost products being outsourced to China.

Did you have any plans for growth through acquisition or was it purely an organic sort of growth strategy?

There was no formal plan in place for acquisitions, but we were always opportunistic. My colleague loved acquisitions and would jump on any opportunity that came up, once an acquisition was started, we rarely stopped until we won it. In 2010 we purchased two product lines (Bismuth Vanadate

> I would say from a business side, cost and margin management is critical. There are many examples in our industry of companies chasing growth for growth's sake, losing sight of their customers' needs and neglecting to manage their raw material and labour costs adequately, and subsequently get into trouble.

and a Blue pigment) from BASF that they were required to sell by the trade commission. We had issues securing financing for the acquisition and Ken at Clairfield was able to help close the deal by negotiating a vendor take-back note with the seller at the last minute.

You ended up selling Dominion in 2016, what made you pick the buyer at that time?

The two front-runners at the time were H.I.G. and a strategic buyer. I preferred H.I.G. because they had a higher valuation and were willing to invest in the business. The strategic buyer's offer was not as attractive because they were looking to shut down some units and asked me to invest 100% of my equity into their business which was a privately held family-run business.

So ultimately H.I.G. and you decided to part ways a few years after the transaction. What led to this decision?

I left the company in June of 2019 due to differences in vision for the business. The company had acquired a pigments distribution/trading business and wanted to focus growth in this area while I was trying to continue growing the manufacturing units. It came down to different philosophies for how we wanted to run the business. The separation was amicable, and I stayed on for six months to help the company transition with the new CEO.

Since leaving you started a new business, can you tell us a little bit about what your goals are and what your sort of long-term ambitions are?

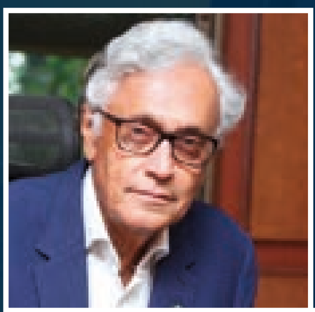
My new company, Chroma Specialty Chemicals, is focused on providing better customer service than larger, consolidated companies. The company's focus is to develop customer relationships and trust, and we will go above and beyond to ensure customer satisfaction. If we are successful in gaining customer trust, the business growth and financial success follows. We want the company to have a global presence, with a focus on Europe and the Americas. I think there are two main areas that company is focusing on: first, acquisitions and second, expanding manufacturing and technical capabilities. Acquisitions are viewed as an opportunity to expand our business; however, the company currently lacks a manufacturing base, which hinders our ability to offer unique products to customers. We also want to expand our coverage, as we currently have a small team and can only speak to a limited number of customers a day. We plan on continuing to grow organically and adding more people as the business grows. The overall goal is to continue to achieve profitable top line growth while expanding our customer base.

Given your dedicated tenure in the industry, what do you consider a success in the specialty chemical sector?

I would say from a business side, cost and margin management is critical. There are many examples in our industry of companies chasing growth for growth's sake, losing sight of their customers' needs and neglecting to manage their raw material and labour costs adequately, and subsequently get into trouble. My approach to building sustainable and profitable specialty chemicals businesses has been to ensure clear and direct lines of communications to the customer to ensure their needs are being met and constantly reviewing initiatives to drive down costs. ■

For more information on Chroma, contact Ken Moore: kmoore@clairfield.com.

Railways are going through a radical change, and success is not assessed by looking at the numbers alone



Indrajit Mookerjee is the executive director and vice chairman of Texmaco Rail & Engineering and an executive of the Adventz Group. He is trained as an engineer, has worked in the industry for over 40 years, and is a frequent speaker on the Indian economy as well as the global rail industry.

India runs on rail, and one out of every four freight cars running on Indian railroads has rolled out of Texmaco Works. Part of the Adventz group of companies (with a market cap of US$3 billion), the historic Texmaco Rail & Engineering, is vital to Indian infrastructure, with five manufacturing units over 170 acres in the outskirts of Kolkata. It operates through three segments: heavy engineering, steel foundry, and rail EPC.

We are talking to different business leaders about how they define success, so let me ask you, what is your definition?

Business success is not just numbers; it is a combination of both qualitative and quantitative factors or parameters. A business must exceed expectations to justify investments, where questions about logic and cost are raised. On the one hand, the numbers define whether success has been achieved. But there are other questions: are we achieving success by hardcore cost reduction at the expense of the environment or by exploiting people? When combined, profit and positive impact are two different aspects that indicate whether we have achieved success in a competitive market.

In a competitive area, we must have unique products to offer. Uniqueness can vary based on how we address our customers' requirements and cost competitiveness — keeping in mind that we reduce costs without its leading to an adverse effect on the environment or the human resources at hand.

In short, success is not about numbers alone but a harmonious combination of numbers and the feeling that, as an individual or a company, we have done something good for the corporation, our colleagues, and society.

Considering your vast and successful career span ranging from industrial gases to mobilities and more, would you view success in different sectors with a different perspective?

Success depends on the satisfaction of your customers. If your customers are not satisfied, can you say you've been successful? A combination of cost competitiveness, timeliness, delivery, access to supplies, meeting expectations and quality of the product and service together create customer satisfaction. When they are all added up, the result can be counted as a success. So, the fundamental factor that transcends all sectors is, in the end, overall customer satisfaction. Repeat customers in business are essential, and this can be ensured by various methods — personalisation of the product offering, competitive costing, and offering exemplary customer service and speed of delivery. From my career, I have learnt that although customer satisfaction is at the forefront, the route to this success can depend on your industry and the type of product or service you are offering. Each industry must follow a refined and personalised approach when catering to its clients. Go to your clients, don't expect clients to come to you.

Do you have any success stories which you would like to share?

During my days at Praxair, we decided to move into the Indian market. (Founded in 1991 in the US as a spin-off from a large corporation listed on the Dow Jones Industrial. Praxair is India's leading industrial gas supplier, with more than 35 operating locations). We had a presence in China but not in India. We agreed that we should not just try to be the largest company in India but also the best-performing company in India.

Our competitors at the time were manufacturing gases in different locations and reaching the customers via retail marketing; we strategised by supplying a bulk volume of gases in the pipeline through long-term contracts by installing plants inside the premises of the main consumers. These plants were designed to have an extra built-in capacity for catering to small and medium-sized consumers in the open market.

> **"Each industry must follow a refined and personalised approach when catering to its clients. Go to your clients, don't expect clients to come to you."**

The cost of manufactured gases for the retail market is highly competitive due to the economic scale of production. However, the bulk-buying customer had already covered most of the fixed costs, making the retail supply very competitive. Along the way, we made a series of timely and strategic acquisitions, allowing our overall strategy to come to fruition in two to four years.

Are mergers and acquisitions as a strategy an essential contributor to success?

It depends on the company, the industry, and the market at the time. When I was working at Praxair, we began making strategic acquisitions of small companies that enhanced our reach from the largest to the smallest clients. A combination of these strategies and acquisitions, over about five years, helped us achieve the position as the number one player in the region; this was a highly satisfying experience and an excellent education on gaining market share.

Two factors need to be considered before heading into an acquisition or strategic partnership: geographic location and cost synergy. One prominent feature that also needs to be noted is an organisation's culture (both acquiror and the acquired). This integration needs to be handled delicately and planned precisely to ensure a smooth transition and combined success.

You have had a very successful career in one of the most significant growth industries in India. Looking back on your career, is there anything you know now that you wish you had known then?

We must always be cautious of who we conduct business with, particularly with old clients with whom we've become close or others who have financial issues. In many ways, the wisdom we all gain over time guides us along. At first, when we start a business, every opportunity seems shiny, without vast experience and extensive research, we could and would burn our hands often. However, as everyone in business knows, this is how we learn. Still, as time progresses, our organisations grow, and we learn to take highly calculated risks and mitigate the damages that would otherwise be fatal.

The railway industry is going through radical changes in India with the electrification of railways, expansion of

new lines, the building of new stations, and the overall development of a high-speed train network. What is your business doing to remain the market leader and ahead of the competition?

The railway sector has suddenly opened up and offers many opportunities in the domain. Investments are expected in many areas: laying new and modernising tracks for speeding up trains, buying high-speed, modern trains, wagons, locomotives, electrification, signalling, developing railway stations, and last (but not least), making a quantum jump in terms of railway safety.

Texmaco is a historic company with a proven track record and skilled workforce, and so these are numbers which Texmaco has done before. It is nothing new, but I must admit that there were hardly any orders from railways and this segment was very dull. In this situation, inefficiencies did start creeping in.

We needed to improve our efficiency and quality to get it right the first time and improve our productivity as well. We also have started working round the clock, which we were not doing. These are the very first copy book style operations which we need to do and which we are doing right now to meet up with the challenge.

Now, we have to see how things move, and we also have plans to expand capacity or divest certain portfolios. But it is too early to say that.

> “Quality infrastructure paves the way for the success of various industries like coal, chemical, steel, refineries and so on. Businesses like passenger mobility and goods mobility heavily rely on the quality of infrastructure we put out.”

What areas of business and industry are destined for future success in India?

India can be perceived as an island when compared to other Asian countries. India is a difficult region because it is so vast it is difficult to access the most remote parts. It is also hilly and mountainous, which makes railway construction challenging in some areas. There are large areas of old, obsolete, and quite dangerous tracks that need to be removed and then replaced, which is time-sensitive and challenging.

India is a large and complex market with a population of 1.4 billion. This large population is a positive aspect in that it also means there is a large workforce and a large customer base at the same time. To run a successful business in India, business leaders must understand and consider the country's overriding emotions and the socioeconomic factors affecting the people.

One area of utmost importance is infrastructure. The success of one industry can be positively impacted by the success of another industry. Quality infrastructure paves the way for the success of various industries like coal, chemical, steel, refineries, and so on. Businesses like passenger mobility and goods mobility heavily rely on the quality of infrastructure we put out. Developing a quality infrastructure will directly impact other industries and allow them for substantial growth. Consumer goods and durables are destined to grow with infrastructure enhancement.

Is there any other businessperson with a notable success story you would mention?

During the nascent stages of Praxair, I had the privilege of meeting many captains of the industry. They shared experiences, introduced our company into the marketplace, and championed the quality of our products. Several business leaders in India, through their start-ups, have made great strides, learnt, and shared lessons and have paved the way for many business leaders to follow in their footsteps.

To sum up, what does success mean to you?

I would like to describe success using an analogy from Indian culture. The idols and icons we celebrate during Durga Puja or Ganapati Puja are often regarded in awe and treated with respect and ceremony. But if you want to analyse it further by breaking it down into elements, you will get straw, earth, bamboo, and some paint. Success is like that — a combination of factors. A beautiful and satisfying icon is created when all the components are put together. ■

For more information on the Indian railway industry, contact Abhijeet Biswas: abiswas@clairfield.com

John O’Brien of Poolwerx advises testing the waters before plunging in

John O’Brien’s passion and experience in franchising and the pool industry is difficult to rival. He is a visionary leader and dynamic entrepreneur with a penchant for bringing order to disorganised industries.

He founded Poolwerx 30 years ago and has grown this multi award-winning business into the world’s largest global franchise pool service brand, with operations throughout Australia, New Zealand, and the US with further international expansion on the horizon. The brand has more than 160 stores and 600 service vans.

John is an inductee into the FCA Hall of Fame and past chair of the World, Asia Pacific and Australian franchise councils and founding member of the Australian federal government franchise advisory group. He also co-founded the Swimming Pool Retail Association of Australia and served on the industry’s peak governing board, the Swimming Pool and Spa Association of Australia.

John O'Brien, founder and executive director of Poolwerx, has been at the helm of the company since its inception and has been instrumental in building the business from the ground up. Under his leadership, Poolwerx has evolved and adapted to the ever-changing marketplace, consistently pushing the boundaries and achieving new heights of success. John reflects on his journey as the CEO of Poolwerx and what it took to build the business to where it is today.

As the founder and executive director of a successful business, you recently announced a very successful partnership of your company. But what does success mean to you, and what made you realise the time was right for this sale?

For me, success is about constantly evolving and adapting to the marketplace. My business was turning 30, which is a long time in the lifecycle of any brand, and I had been the founder and CEO for all of that time. Additionally, I was turning 65. While we had always managed to reinvent ourselves, putting those three things together, I was becoming increasingly concerned, particularly due to the ever changing need for technology in business, about how the brand and myself could remain fresh and relevant in the marketplace. I wasn't sure (despite feeling confident and invigorated) that at that age and with that tenure that I was the right person to lead that brand. The brand needed a different equity partnership, different leadership, and different input to take it to the next level.

When it came to finding the right partner for your business, you took a strategic approach.

We had fielded many enquiries over a period of time, especially with expansion into the US, and the number of enquiries was accelerating. In September 2020, we found ourselves at a unique point in time where in the franchise and private equity world, there were private equity aggregators who were buying up founder-established brands that had reached a certain stage, and were looking to aggregate brands in common industries. As part of the home services industry we found ourselves in a wave – 7-10 years ago private equity discovered franchises, and about three years ago they discovered home services. We saw that we were at the right time. Although we weren't particularly looking to sell, we thought it would be irresponsible for us not to test the market.

You explain that your chairman, Troy Hazard, spoke to nearly 50 suitors that had come on your radar.

We had established criteria earlier — for example, we were looking for someone with minority equity; we wanted people we could work with from a relationship point of view; we wanted them to most likely be US-based as that is where our biggest opportunity is, and we wanted them to have the smarts and ability to take us to the next level. We have five brand values that we live and breathe as a business, and they needed to be aligned. Troy quickly reduced the list of suitors to a dozen based on our criteria and then with more discussions to a few.

At the end of the process, you ended up with a US East Coast and a US West Coast suitor, and in doing due diligence on those suitors with a number of other founders, you noticed a bit of a trend.

Really it felt like two types: East Coast PE bring in MBAs and finance professionals, push aside what you have done, and leverage their smarts to triple the brand and sell, whereas West Coast seemed to want a relationship, more

casual, look to see how they can add value and they want to include your smarts and experience in incorporating the new plan. In the end, it was a pretty easy choice, we went with Norwest from California — they aligned with our values and our brand.

As the founder of a successful business, you knew that you needed to keep your eye on the ball and make sure that business as usual kept ticking over during the transaction and not to get distracted.

We did our homework, we wanted an advisor on the transaction from our hometown that was well-regarded in Australia, but also had strong international experience. We identified Clairfield Australia with yourself (Sharon Doyle) and the team who could take us by the hand and guide us through the process, to get the best deal for us while we focused on the day to day.

With your new US-based partners, have you noticed any differences in management styles from your Australian team? Are ideas behind success and achieving success different culturally?

There are certainly changes in style and focus, particularly when it comes to business culture. Historically, we have been very focused on results, and our new majority partners are more focused on the next transaction event. So, everything flows back from that. We're thinking about what we can do now, today, next week, and next quarter to build value for that event.

The five-year plan for the business has had a major overhaul since the new partners have come on board. We know exactly where we want to be in five years, including EBITDA and valuation. So, we have this very definitive target and event to work towards and everything we do is geared towards that. A key part of that is growth.

We're focused on how we can give us growth and how we can add value, but also investment — we're not shy about investing now to build that growth and make us faster. This

is very different to where we have been previously, when we were privately held and had to balance future investment and growth against profitability.

> **You can have the best brand, sales, or technology, but it is the team of 2,000 people that deliver that to the client in the last three feet – if they aren't happy and trained well and recruited well, then it all falls down.**

You also note that the new partners have a more relaxed and longer-term approach to the outcome of the business.

Our business has always been action oriented, time-driven, make it happen now. Our new partners are a bit more relaxed, more long-term driven about the whole outcome. Board meetings have been tipped on our head – no matter how much we pushed to have a strategic focus in the past, we were always drawn back into operational. Historically, we were 70:30 operational-to-strategic, we've now reversed that.

What were your initial expectations on the process, and how did they change over time?

It did change during the process; initially we were looking for a minority position from PE, but as the deal progressed and as the suitor did their initial due diligence, they were pleasantly surprised at a couple of things – foremost the

sophistication of our own business, compared to some other businesses they have purchased. We had set up our business from day one: formal board, structured board meetings, protected IP, good governance, etc. They could see they could ramp up more quickly than initially considered. I think they had also underestimated the strength and success of the Australian business and the amount of upside in that market. Following initial due diligence, they came back, and upped the ante for majority.

So, you have executed a successful transaction, was that aligned with your personal definition of success? Has that changed over your career?

Yes. I started my first business when I was 28 years of age; I traded in my corporate career for a small business with six home-delivery soft drink trucks. All I wanted to do was survive — not go broke and just learn. At 31, I got married and started a family, and for next 20 years all I wanted to do was pay the mortgage and the school fees and not go broke. In the last 10 years, having built a very solid successful cashflow-friendly business with the family in good place, the focus was on achieving success for the business. Interestingly, what is unique in the franchise world is that your motivation is the success of the franchise partners. To have people come to you at 40 years old, they want to have a better future, they put their house on the line and put their education and experience to the test — guiding them to be successful — and then more successful. We have franchise partners nearing AU$10 m in revenue — that is now the measure of my success: the success of our franchise partners.

Have you learned from any business failures?

Trying to crack Western Australia and New Zealand markets. In the case of Western Australia, I spent 10 years with direct involvement in that market trying to crack it and I was unsuccessful, barely scratched the service. It wasn't until I bought the largest business in Western Australia that we cracked that market. They wanted local, not some guy from the East Coast. New Zealand was magnified much more — we showed the arrogance of believing we could run New Zealand as another state, but it wasn't until we master franchised New Zealand to a well-proven local Kiwi that we flipped on New Zealand and we took off. One way of doing business doesn't necessarily work in other geographies. We used that experience when we entered the US — we entered not by going in and setting up from scratch, we made an acquisition in Arizona and tested our model before we expanded. We are now in 10 states.

And on the operational level, how do you look at success?

We have a combination of hard and soft metrics. We have five corporate KPIs that have been in place for 20 years, even though we challenge them all the time. And really, that comes down to increasing our franchise partners' profit every year. But beyond that, the soft metrics, such as our five values of people first always, doing the right thing, finding a better way, daring to succeed, and energise. We have been around for 30 years and we have our franchise partners survey the network every year to get a satisfaction score, which includes a focus on how we are doing in honouring those values. Every year we find that honouring our values is reflected in success in the hard metrics and if we are not hitting those metrics you find that it is because we have disrespected the values. You can have the best brand, sales, or technology, but it is the team of 2,000 people that deliver that to the client in the last three feet — if they aren't happy and trained well and recruited well, then it all falls down. ■

For more information on Poolwerx, contact Sharon Doyle: sdoyle@clairfield.com.

Mana Biosystems takes a holistic look at people, planet, and profit

Andrea Jagodic (CEO), Larry Kotch (CCO), and Thomas Stringer (CFO) are founders of Mana Biosystems, based in London and the Ivory Coast.

Andrea is an entomologist and entrepreneur with a background in farming and healthcare projects in East Africa. She has helped scale some of the UK's most exciting black soldier fly companies.

Larry is an entrepreneur based in London and the Ivory Coast. He has successfully built a seven-figure marketing business and has managed his own black soldier fly colony since 2019. He's lived in Kenya, South Africa and the Ivory Coast.

Thomas is a corporate finance professional with an institutional background. He is experienced in financial analysis, mergers & acquisitions, capital investment, and ESG funding.

With the fast-growing global demand for food, particularly protein, insect farming has drawn considerable attention for sustainable and high-quality protein to feed the world's growing population. Insect farming also generates considerably fewer greenhouse gases giving the sector huge growth potential in the future. Mana Biosystems is an insect farming and technology company that transforms organic waste (waste from food processors, warehousing, or farmers) into sustainable animal feed and biofertilizer products.

The global insect farming market is highly competitive. What was the catalyst behind starting Mana Biosystems and what differentiates you from competitors?

We are all of the opinion that humankind can fix the food and climate systems. Still, the best way to push for change is to create better products and services than the inefficient alternatives. We were also driven by a sense of opportunity in Kenya. Legislation and investment in this sector have made it one of the most promising countries globally for insect farming. Given Larry's connections from having grown up there, we felt the industry was maturing enough that we could make an impact.

While insect farming is not a new concept anymore, how we do things is. There are two key differences. The first is our location; we are based in Kenya and headquartered in the UK. The climate in Kenya allows you to do insect farming at a fraction of the cost as the Global North, so we play on this arbitrage.

Most insect farms expend considerable resources transporting waste to themselves, whereas, at Mana, we have pioneered a model that allows us to bring the insects to the waste instead. We call this decentralised insect farming, and there are a few other players in this growing market. Ultimately this allows us to eliminate all the transport costs and CO2 associated with centralised insect farming, which improves our unit economics and will enable us to kick that back to waste producers, so everyone wins.

What does success mean at Mana Biosystems, and how do you measure it?

Success for us is measured in terms of tonnes of waste diverted from landfill, soy or fishmeal usage displaced in animal feed, and the amount of money we save compared to organic waste-producing companies or farmers every year. We look holistically at people, the planet, and profit.

Given the current challenging global economic dynamics, we have all witnessed that even the best plans can fail in tough times, but resiliency is the way forward. What has been your biggest business failure, and how have you turned that into your current success?

Larry: My biggest business failure was in 2013 when I helped a startup raise a seed round and quit my rather cushy job to head up the marketing function. Shortly after spending all the money on tech without validating the concept, the CEO burned through the money in five months. It was a textbook example of how not to run a startup, and almost every lesson about building a company, or rather how not to, was etched into my brain in those nail-biting five months. At one point this CEO said, "It's raining today, no one makes sales in the rain."

I've let the fear of ending up as the CEO of a company like that develop my obsession with finding the product market fit and setting ambitious commercial validation, productisation, and sales targets early on. There is no "revenue comes later." Revenue comes now and it gets bigger fast, investment is to support CAPEX and R&D, not working capital, and while it's not always possible, especially in the first few years of a technology company going through proof of concepts etc., I only need an inch to go a mile and that's an attitude that I believe is serving me well, especially if supported by other team members looking at the other parts of the business with equal vigour.

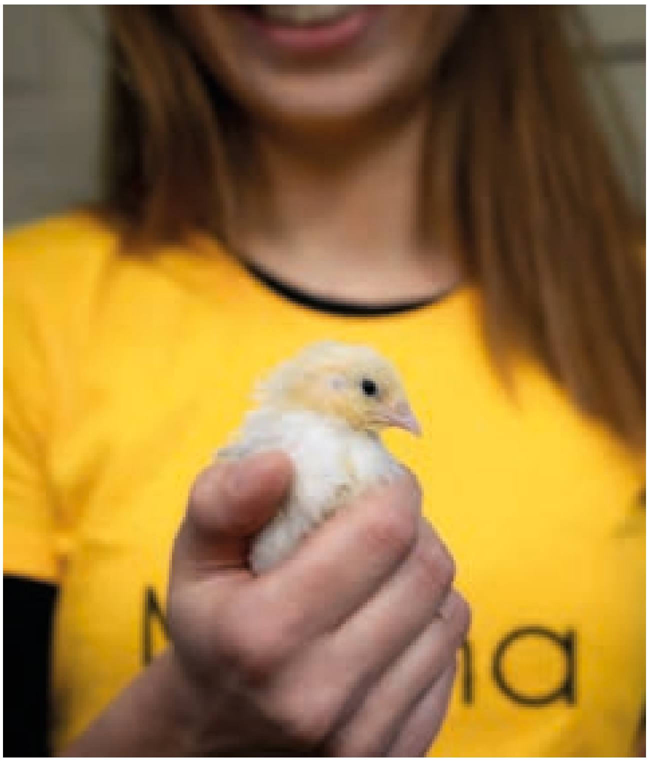
Team spirit and effective resource management are at the core of any business, from startups to big conglomerates. In your opinion, what company (big or small, national, or international) is a stand-out example of business success and why?

Andrea: Waking Up, the meditation app, is one of the best businesses I've come across. The founder has an amazing purpose and mission in the world, he personally, as well as his firm, has a long history of donating to effective altruism-based charities. It's an example of a business living and breathing, doing good in the world, creating value, and setting aside something to help the poorest people in the world. It's really an inspiration.

> **"I only need an inch to go a mile and that's an attitude that I believe is serving me well, especially if supported by other team members looking at the other parts of the business with equal vigour."**

Speaking of industry players, what has been the most exciting and successful merger, acquisition, or capital raise in your industry?

The Jord acquisition by Ynsect was very interesting. It's a sign that the industry is starting to mature, and companies are beginning to vertically integrate through acquisitions. We have also come to the conclusion that the whole dried insect market is the right blend of good sale price for our insect products and export quality control requirements. Seeing a large player validate that hypothesis with an acquisition is exciting, and we think it helps the industry stay focused on the low-hanging fruit first. Inseco's capital raise was great for the industry because they



achieved the largest seed round in South Africa's history, which again lends a lot of headwinds to the industry. Their idea to buy up all AgriProtein's distressed assets was a really smart move.

It is a great sign that this US$300 million insect farming industry is maturing and presenting growth opportunities. It is anticipated that by 2028, the industry will grow to around US$1.7 billion at a CAGR of 27%, which is massive growth. With such high predictions for the market, where do you see Mana Biosystems succeeding most in future?

We think our model will begin to show mass market validation in 2024, at that point the company's profile will increase because of the futuristic model and the cool tech which farmers and waste producers love. Eventually, waste will become commoditised to such a point where the insect farmers with the best unit economics will win out, and the way we model things by eliminating waste transport costs, which can account for up to 30% of COGS in the industry, gives us a lot of headroom to make the model more attractive to the waste producers.

Ultimately, we need to empower waste producers to tackle their own waste on-site, especially considering that there will not be enough centralised players out there to service all the waste producers due to simple distance limitations for waste transport, so our modular solutions will allow us to fill in the gaps. The gaps will be many orders of magnitude higher than the centralised locations.

To conclude, has your definition of success changed over your career?

Thomas: I always wanted to do something that had an impact for good in the world, which cleaned up the environment but that didn't require behaviour change and sacrifice to anyone. It isn't easy to find those kinds of win-win scenarios in the green economy space, but it exists in the black soldier fly farming sector, and that's why I got into it and invested time and money in this business.

My definition of success in life, though I don't speak for everyone at Mana, is to support the development of Africa and generate as much income as possible so I can pursue effective altruism initiatives. Mana is a way of achieving both things, and I don't expect that to change. To be clear, I don't believe businesses should force other shareholders to adopt the values of the founder or founders.

My definition of success inspires and motivates me to make a difference in this industry. If I can encourage other business owners to pledge their wealth to solve the most critical problems down the line sustainably (economically and environmentally), the world would be a more collaborative and better place to live for all. ■

For more information on Mana, contact.
Josh Knox, jknox@clairfield.com

Clairfield success stories

For our clients, success takes many forms and is measured in many ways. Yet, for Clairfield, our success is what we have achieved for our clients and how we have helped them reach their goals. Here we share some of their stories — which are our successes.

Outsized results for outsized client, through structure, skill, and persistence

IT services

REPLY

acquired

FINCON UNTERNEHMENSBERATUNG

Clairfield advised publicly-listed tech company Reply on the largest acquisition in Reply's history.

Reply is composed of a network of highly specialised companies that support leading industrial groups in defining and developing business models to optimise and integrate processes, applications, and devices using new technology and communication paradigms, such as artificial intelligence, big data, cloud computing, and digital communication. Reply started with a small team and purpose: to help the digital revolution happen. Today, it has a team of more than 12,500 people in 16 different countries.

The target FINCON has around 450 employees and is headquartered in Hamburg. It is a pure consulting company specialising in core processes and systems for the financial services industry, such as mobile banking, payments, core banking, internal control system and regulatory compliance, and insurance systems. FINCON's customers include most major German banking and insurance institutions and many of the German savings banks.

FINCON's expertise in banking and insurance processes with a focus on technological innovation made a perfect fit for Reply's goal of expanding into the German banking and insurance sector.

How Clairfield achieved success

The investment in FINCON was part of Reply's international growth strategy, particularly in Germany, where Reply is already a leading player in consulting, system integration and digital services.

Reply trusts in Clairfield because of our partner-driven project management, excellent direct access to suitable targets in the digitalisation technology and services field, and customised support during the process, including the provision of any additional services.

The Clairfield team, led by partner Dirk Middelhoff in Düsseldorf, identified the target through a structural search of the German specialised digitalisation industry, a landscape of special expertise at Clairfield.

During the execution phase, Dirk managed the difficulties stemming from the target's non-homogeneous shareholder structure. The shareholders included the family office that was the main shareholder as well as managers, other key people, and an employee participation vehicle with more than 40 participants. Dirk capably aligned all the parties to a successful and swift closing.

Dirk has led three previous transactions for Reply and continues to work with the company's internal M&A team as a trusted advisor as it continues its growth plan.

"It's been a pleasure to help Reply build on its successes over the past few years in several transactions, especially with this landmark acquisition in the area of IT and business services for the banking and insurance sector," says Dirk.

Deal team:

Dirk Middelhoff

Peter Sensendorf

Marc Daniels

Contact Dirk Middelhoff at dmiddelhoff@clairfield.com

Finding a buyer for the innovative technology that is changing medical diagnostics

Medical devices & supplies

Scope Fluidics
sold
Curiosity Diagnostics
to
BIO-RAD
for USD 170 million

Clairfield advises Scope Fluidics on the sale of its subsidiary Curiosity Diagnostics to Bio-Rad Laboratories for US$170 million.

Scope Fluidics, S.A. (WSE: SCP), a Warsaw, Poland-based developer of innovative medical diagnostic technology, sold its wholly-owned subsidiary Curiosity Diagnostics, Sp. Z. o. o. to Bio-Rad Laboratories, Inc. (NYSE: BIO), a global leader in life science research and clinical diagnostic products for US$170 million, consisting of approximately US$100 million in cash, and up to US$70 million in future milestone payments.

Curiosity Diagnostics, a late-stage, pre-commercial platform company, is developing the PCRIONE system, a high-multiplex sample-to-answer, rapid diagnostics PCR system for the molecular diagnostic market using both PCR and RT-PCR based assays. PCRIONE, a stand-alone and automated system, has been designed for the quick detection of pathogens at the point of care, in hospital emergency rooms and at other locations where accurate and rapid diagnosis of patients is crucial. It provides broad coverage of up to 20 molecular targets in triplicate, which may be identified in a single test. Furthermore, the PCRIONE platform may integrate into the lab environment and provide minimum hands-on time as well as a quick response for urgent testing needs.

Scope Fluidics continues to develop novel, disruptive technologies including its BacterOMIC system, through its wholly owned subsidiary, Bacteromic. The BacterOMIC system is for high-content automated antibiotic susceptibility testing. Both systems were awarded recognition in the 2019 American Association for Clinical Chemistry Disruptive Technology Competition.

Bio-Rad Laboratories serves universities, research institutions, hospitals, biotechnology, and pharmaceutical companies, as well as public health and commercial laboratories including food safety and environmental quality testing facilities. Based in Hercules, California, Bio-Rad has a global network of operations with approximately 7,900 employees worldwide and US$2.9 billion in revenues in 2021.

Curiosity Diagnostic's PCRIONE platform extends Bio-Rad's reach into near-patient molecular diagnostics labs at a time when rapid, high-multiplex diagnostics is a critical factor for successful public health outcomes.

How we achieved success

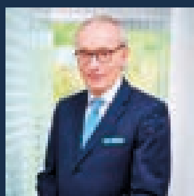
Clairfield acted as exclusive financial advisor to Scope Fluidics via its experienced healthcare teams in New York and Warsaw, engaging in savvy and methodical negotiations with multiple bidders and applying our experience to complex crossborder execution issues to deliver optimal results. Understanding of the technology and the international molecular diagnostics landscape was critical for success.

"Clairfield International provided early support in our efforts to find an acquiror for Scope Fluidics' subsidiary Curiosity Diagnostics. Clairfield's persistence and continuous involvement that spanned several years allowed us to be where we are today. We were very fortunate to have Clairfield International as our sell-side advisor as their negotiating skills, and transaction experience proved to be instrumental in maximising the company's value and conditions of the closed deal," says Piotr Garstecki, CEO of Scope Fluidics.

Deal team:

Edward Grey

Crosby O'Hare



Peter Chudy

Contact Edward Grey at egrey@clairfield.com

Achieving EUR 20 to 600 million turnover — and the growth path towards 2 billion in sales

Industrial services

kiwa

was sold to

SHV

Clairfield advised Dutch company Kiwa, a world leader in Testing, Inspection and Certification (TIC), on the sale to SHV.

Kiwa, founded in 1948, is an independent global company in the Testing, Inspection and Certification (TIC) industry. Kiwa's core businesses are supported and strengthened by training, consultancy, and data services. Kiwa works in a wide variety of market segments, ranging from drinking water and (renewable) energy, construction, and healthcare to food, feed & farm, cybersecurity and industrial assets and medical & pharma. The company has clients in manufacturing and process industries, (business) services, public and private utilities, governments, and international institutions. Kiwa employs over 7,500 people in offices in more than 40 countries across Europe, Asia Pacific, and North and Latin America.

SHV is a family-owned company with a strong position in operational and selected investment activities, and management. The investment firm SHV is active in 64 countries with over 51,000 employees. SHV companies focus on energy distribution (SHV Energy), cash-and-carry wholesale (Makro), heavy lifting and transport (Mammoet), industrial services (ERIKS), animal feed and aquafeed (Nutreco) and private equity (NPM Capital). In addition, SHV has a minority shareholding in ONE-Dyas (exploration, development, and production of oil & gas).

With SHV, Kiwa found a new shareholder with a well-known culture that will invest in accelerating growth of the company, while SHV further diversifies its portfolio with the acquisition.

How Clairfield achieved success

Clairfield International was first introduced to Kiwa when advising Gastec on the sale to Kiwa in 2005, followed by onboarding as the company's trusted advisor in Kiwa's carve-out from 13 Dutch drinking water companies in the same year. In the years that followed, Clairfield advised Kiwa in the separation of its commercial TIC activities from research activities KWR, the sale of Kiwa to PE company ABN AMRO Participations, and the implementation of the consecutive refinancing and buy-and-build strategy. After advising Kiwa in the sale to NPM Capital in 2011, we assisted the company in further optimising its activity portfolio, among others with the divestment of the Shield Group in 2019.

Paul Hesselink, CEO of Kiwa, says, "The Clairfield team was instrumental in their support, being both creative professionals as well as persistent diplomats combining the human-interest side with a deal-oriented outcome. We have had a very good experience with a trusted advisor that has stood beside us now for over 15 years."

Deal team:

Frank de Lange

Martijn van den Heuvel

Teun Grijzenhout

Michaël Bayer

Contact Frank de Lange at fdelange@clairfield.com

A pivotal moment for world leader and innovator in opening systems and fittings for furniture

Industrial services

SALICE

was sold to

COBEPA

Clairfield advised Italian furniture systems specialists Salice on the sale to Cobepa.

Salice, an Italian company founded in 1926 by Arturo Salice, is the world leader in the production of opening systems and functional components for the furniture industry. The third-generation family shareholders, Francesca, Massimo, and Sergio Salice have grown the almost 100-year-old business, into a market leader thanks to the progressive launch of innovative and patented solutions. The Group has three production sites in Italy and is present in ten countries with 12 foreign subsidiaries. In 2021, Salice recorded net sales of approximately EUR 216 million, with exports to more than 90 countries.

Cobepa is an independent, privately held Belgian investment company backed by large entrepreneurial European families with net asset value exceeding EUR 4.2 billion. Active since 1957 and independent since 2004, Cobepa is a well-recognised player in the private equity industry. Salice represents Cobepa's second buy-out transaction in Italy.

The transaction marks a pivotal moment in the Group's family longstanding history, as Cobepa's entry marks a new phase of investment and development. Partnering with Cobepa will reinforce Salice's leading market position and help unlock further growth opportunities in terms of geographical expansion and penetration of new market segments.

The Salice family will remain as minority shareholders and to ensure a correct transition and guarantee managerial and operational continuity. Francesca, Massimo, and Sergio Salice will maintain their current roles in the company. They chose Cobepa as their new partner because of corporate and human values synergies. Cobepa has a solid reputation in accelerating the development of companies by leveraging their human capital and skills while stimulating the potential and the entrepreneurial spirit of the management teams it works with.

How Clairfield achieved success

Clairfield had a strong relationship with Salice, having successfully advised the company on a previous acquisition, and remained engaged by evaluating other potential deals.

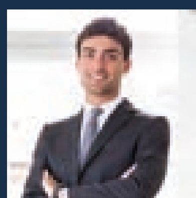
Salice's business continued to grow throughout the transaction process, with an increase in EBITDA from EUR 30 to 60 million. Clairfield generated high levels of interest in the deal, creating competition between industrial and financial buyers on a worldwide scale. Potential buyers from Germany accounted for 66% of the interested parties. During negotiations, Clairfield convinced the shareholders to reinvest a portion of their proceeds back into the deal, which was not originally in their plans.

The success of the transaction was also due to the strength of the specialists on Clairfield's deal team. Key members included Filippo Guicciardi (industrial and execution expertise), Manuela Gariboldi (management of the entire process), Maximiliano Turelli (financial sponsorship), Pietro Camasta (management of the external professionals involved), Filippo Grossi (financial analysis), and Albert Schander (German buyer management).

Deal team:

Filippo Guicciardi

Manuela Gariboldi



Pietro Camasta

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The highly active nutraceutical market is a key hotspot for healthy investment and growth

Nutraceuticals

AIXSWISS

was sold to

visionhealthcare

Clairfield International acted as exclusive financial advisor to AixSwiss in the sale to Vision Healthcare.

AixSwiss was founded in 2015 by Jörg Paule and Fabio Öster and is headquartered in Kerkrade at the German-Dutch border. The company's impressive growth journey propelled its "Nupure" probiotic brand to a market leading position in the DACH e-commerce channels. The rapidly growing Nupure brand is set to achieve sales of EUR 20 million in 2022 at strong profitability levels.

With over EUR 250 million in sales, VHC is a fast-growing European digital-first omnichannel platform empowering consumers to enhance their personal health and wellbeing. The company was founded by Yvan Vindevogel and is today backed by Avista Capital Partners, a leading New York-based private equity firm with over US$8 billion invested globally. VHC acts as a one-stop-shop ecosystem to execute D2C retailing orders through a large portfolio across VMS, nutraceuticals, beauty nutriments, personal care products and OTC.

VHC's overall vitamins, minerals, supplements, nutraceutical, and digital expertise combined with AixSwiss' probiotic expertise, will create the perfect synergistic play to unlock new growth opportunities for the Nupure brand. At the same time, AixSwiss' digital omni-channel know-how will open new growth avenues for the Vision Healthcare brand portfolio. The acquisition is in line with VHC's ambitious strategy to further expand its leading digital omni-channel platform of VMS & nutraceutical products in Europe and reinforces VHC's portfolio focus on attractive growth segments.

How Clairfield achieved success

The Clairfield team was able to execute an extremely efficient and streamlined M&A process, accessing all relevant European offline and online pharma players to position the USPs of AixSwiss convincingly. Fabio Öster, co-founder of AixSwiss, says, "The Clairfield team was a 100% reliable and professional partner throughout the whole process and helped us outperform our goals."

Jörg Paule, co-founder and CEO of AixSwiss, says, "We're all very much looking forward to working closely with the entire Vision group and developing our next growth opportunities, in particular by leveraging on VHC's strong digital expertise and pan-European market reach. Clairfield did an extraordinary job in bringing the best of the buyer universe to the table." Fabio and Jörg remain committed to the business by reinvesting some of their proceeds into Vision Healthcare.

"The successful sale of AixSwiss is another landmark transaction that showcases Clairfield's expertise in hot-spot industries such as e-commerce, consumer health, and food supplements," says Albert Schander, partner of Clairfield in Frankfurt.

Deal team:

Albert Schander

Konstantin Zygan

Robin Wagenbrenner

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Mash Holdings sold to Bain Capital Private Equity in Japan's largest retail deal of the year

Apparel, gear & accessories

MASH GROUP

was sold to

BainCapital PRIVATE EQUITY

Mash Holdings, Inc, a Japanese retail group, sold a majority stake to US-based private equity group Bain Capital.

Mash Holdings, Inc, a Japanese retail group, sold a majority stake to US-based private equity group Bain Capital.

Mash Holdings was founded in 1998 as a graphic design company. It expanded into the fashion industry and grew to encompass various apparel brands including Gelato Pique, a hugely successful loungewear brand that focuses on comfort, SNIDEL, and FRAY I.D., as well as beauty, food, and design businesses such as Cosme Kitchen under the corporate philosophy of "shaping our ideas to bring people joy."

The founder Hiroyuki Kondo retained control of the company throughout its growth trajectory but recognised the company would need a partner to meet its international growth ambitions and eventually go public through an initial public offering (IPO). Mash had a longstanding relationship with Yamada Consulting Group, Clairfield's exclusive partner in Japan. Yamada had been advising the group on accounting, tax advisory, and property advisory for over ten years, so when it was time to seek an international partner, Mash naturally turned to Yamada again.

Yamada has excellent relationships with all of the prominent private equity firms in Japan and swiftly identified Bain Capital Private Equity as the perfect partner for Mash. Yamada's advantage was rooted in its close relationship with Mash, which allowed it to have a deep understanding of Mash's priorities in their new endeavour. With this understanding, Yamada was able to identify and approach the right investor candidates by leveraging its knowledge of private equity firms' areas of interest and strengths.

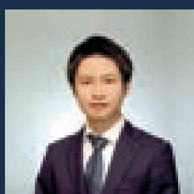
Bain Capital Private Equity was founded in 1984 and has since invested in more than 1,100 companies worldwide. With over 250 investment professionals, Bain Capital uses its global platform and depth of expertise in key vertical industries to create value for portfolio companies. The firm has extensive experience in providing business support to consumer brands, including Canada Goose, a premium jacket brand from Canada, and Caver Korea, a high-end cosmetics brand from South Korea. Bain Capital also comprises the largest part of private equity presence in Japan and understands the importance of business continuity to Japanese founders.

Bain Capital will leverage its investment expertise in the consumer brands sector and work in partnership with the Mash management team and employees to further strengthen the company's business foundation and accelerate medium- to long-term business growth in Japan and abroad to cover design, real estate, as well as licensing. Mash will use Bain's expertise to expand in overseas markets and is aiming on going public in the next three to five years.

"This is one of the largest advisory transactions in Yamada history, and the most significant in retail. It has been very gratifying to accompany this very successful business from the growth stages to completion. This deal has helped position Yamada in the Asian apparel market and we expect to participate in future landmark deals in the industry," says Ryosuke Funayama, Yamada executive officer and leader of the Mash deal team.

Deal team:

Ryosuke Funayama



Takahiro Imada

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Sold for GBP 164 million: a high-performance vehicle electrification business

Automotive

WILLIAMS ADVANCED ENGINEERING

backed by

EMK Capital

was sold to

FMG Fortescue

Clairfield advised EMK Capital on the acquisition of Williams Advanced Engineering (WAE) and subsequently advised WAE on its expansion strategy, culminating in a successful exit for EMK and the former owners of WAE in the sale to Australian group Fortescue.

WAE, founded in 2010 as an offshoot of the Williams Formula 1 motorsports team, is a UK-based technology and engineering business renowned for its ground-breaking projects in high-performance battery systems and electrification. The company delivers world-class technical innovation, engineering, testing, and manufacturing services for energy-efficient performance to customers in the automotive, motorsport, aerospace, defence, and mining sectors. Private equity group EMK acquired a controlling majority investment in 2019.

Clairfield client EMK Capital describes on page 19 EMK's successful investment in WAE as an illustration of how Clairfield can help private equity clients to achieve success together. Clairfield's London team originated the dialogue with the WAE owners and management and then worked with EMK for over a year on the investment case and on structuring a transaction that enabled EMK to win over both the WAE leadership team and the Williams family to complete a bilateral investment. EMK then worked with Clairfield throughout its investment hold period on WAE's expansion strategy, culminating in the outright sale to the listed Australian Group Fortescue, generating a successful result for EMK, Clairfield, WAE management, and the original seller who retained a 25% minority stake.

Fortescue (XASX:FMG) is an Australian mining group with a market capitalisation of AU$66 billion and is one of the world's largest iron ore producers. Through Fortescue Future Industries (FFI), its renewable energy and technology division, Fortescue is establishing a global portfolio of green hydrogen operations utilising electric batteries. Technology developed by WAE means Fortescue and FFI will acquire critical capabilities needed to decarbonise industrial transport equipment including regenerating battery-electric iron ore trains and zero-emission battery-electric mining haul trucks.

How Clairfield achieved success

As a long-standing advisor to EMK, Clairfield continued to examine additional potential transactions alongside the EMK investment team. Throughout, Clairfield has been investing in understanding EMK's investment strategy and in developing knowledge and relationships in the subsectors identified by that strategy, whose acquired knowledge was essential to delivering this series of transactions for the client.

The success of these transactions is attributable to the continuity of Clairfield's deal team and the knowledge and insight thereby acquired over time about WAE's industrial subsector and market landscape and about the critical quantitative and qualitative analysis required for each transaction.

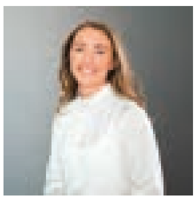
Deal team:

Andrew Taee

Angus Russell

Mark Simpson

Sandor de Jasay



Sorcha Clarke

Eddie Charlton

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A complex and tailor-made transaction with an international buyer

Software & apps

alcea

was sold to

ASSA ABLOY

Clairfield advised Alcea, the leading French company dedicated to security and access control, on its sale to Assa Abloy (STO:ASSA-B), the global leader in access solutions.

Founded in 1995, Alcea designs and provides security supervision software and related access control hardware. The company has achieved a strong position in the French market leveraging on advanced and comprehensive proprietary technology including access control, visitor management, intrusion detection, video surveillance, and electronic key cabinets. Alcea is recognised for its reliable solutions for managing critical sites especially in the telecom, transportation, defence, and banking sectors, with blue-chip recurring clients including Orange, SNCF, Air France, Thalès, Engie, Safran, and SFR Altice. Located near Paris, Alcea achieves over EUR 20 million in revenue and employs 120 people.

Assa Abloy Group is the global leader in access solutions. Headquartered in Sweden and listed on the Stockholm stock exchange with a market capitalisation of EUR 20 billion, Assa Abloy operates worldwide with 51,500 employees and sales of EUR 8.6 billion. The Group has leading positions in areas such as door openings, trusted identities, and entrance automation.

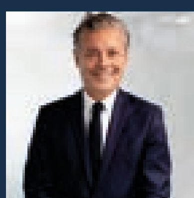
The sale process conducted by Clairfield started last year and was finalised in October 2022 after obtaining all required authorisation.

How Clairfield achieved success

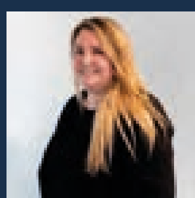
Clairfield International played a key role in the successful sale of Alcea, acting as the exclusive financial advisor for the sellers, including the founder, managers, and private shareholders. The transaction involved an intricate international process that required skillful navigation among all the parties. Clairfield demonstrated our expertise in advising entrepreneurs and aligning the culture of a family business with that of a large corporation

Thierry Chetrit, leader of the deal team and founding partner, expressed gratitude to Pascal Lenglart, founder and CEO of Alcea, for entrusting Clairfield with the sale of his company. “Special thanks to Pascal Lenglart for trusting us to manage the sale of the company he founded 25 years ago. Since then, Alcea has become a leader in access control solutions, with proprietary technology and software chosen by the largest French customers, notably to protect sensitive sites. Clairfield has once again demonstrated its ability to execute a complex and tailor-made transaction with an international buyer, the Swedish group Assa Abloy, to advise an entrepreneur, and to match the culture of a family business with the one of a EUR 20 billion market capitalisation group,” says Thierry.

Deal team:



Thierry Chetrit



Marie Dokchine

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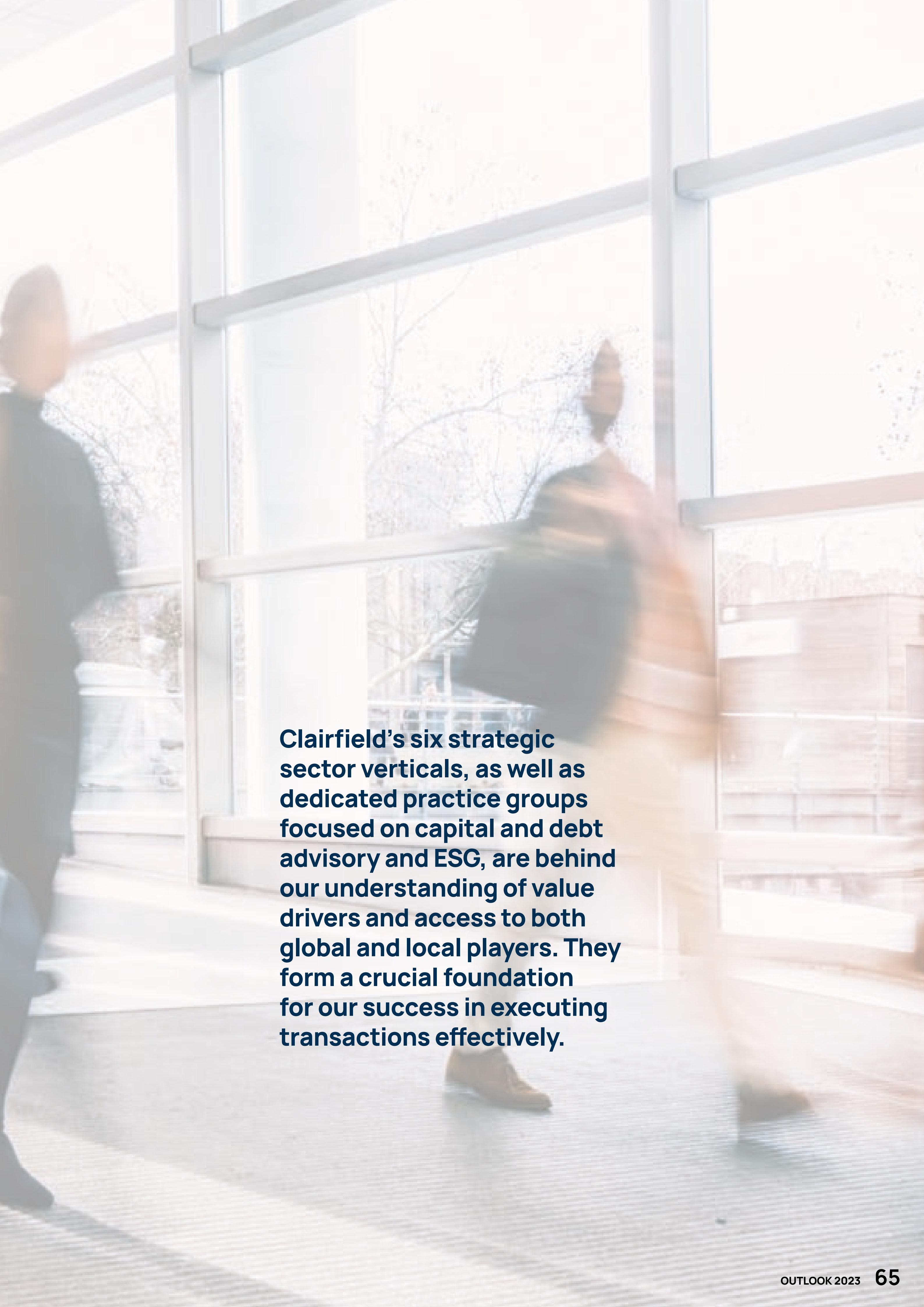
Clairfield practice groups



Clairfield's six strategic sector verticals, as well as dedicated practice groups focused on capital and debt advisory and ESG, are behind our understanding of value drivers and access to both global and local players. They form a crucial foundation for our success in executing transactions effectively.

Business services insights

SECTOR HEAD

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Business services M&A outlook remains positive despite labour challenges, driven by digitalisation and BPO growth

Business services is a diverse industry which broadly covers companies in sectors such as industrial services, energy services, human capital, transportation and logistics, facilities management, construction services, business process outsourcing, IT and digital services, and outsourced public services. M&A has been resilient throughout the pandemic, and in 2023 we are expecting increased activity, particularly by PE-backed trade players interested in quality bolt-on acquisitions.

Business process outsourcing
Pamark was sold to OPTI GROUP backed by FSN CAPITAL

Business process outsourcing
diversify was sold to hgs

Business process outsourcing
BROADRIVER GROUP was sold to BROADRIVER GROUP Employee Ownership Trust

Facility services
MV was sold to NORDIC CLIMATE GROUP

Facility services
Enviro-Master completed a recapitalisation with EAGLE MERCHANT PARTNERS

Financial advisory
Fram was sold to Söderberg & Partners

Human capital
whyz and TEN were sold to Lincoln backed by TALENT

Human capital
CETRUS was sold to sanar

Human capital
TMI was sold to HOUSE OF HR backed by naxicap

Human capital
UNIFTC was sold to MUBADALA

Industrial services
CI&T acquired transpire

Industrial services
VERIFAVIA was sold to Normec backed by astorg

We expect the healthy deal flow of last year's midmarket business services sector to continue in 2023 with gains in outsourcing over in-house solutions, combined with the accelerated use of technological applications to enhance workplace productivity.

There is plenty of potential for consolidation, particularly in growing subsectors such as financial, compliance, and inspection services, creating attractive opportunities for PE firms. In 2023, we believe the following trends will shape the sector's growth and deal flow:

- Increased focus on enterprise software services and cybersecurity is driving M&A in the IT services space.
- Increased travel (domestic and international) focuses more attention on opportunities in automotive, transport and logistics services.
- The cost-of-living crisis is compelling employees to return to the office for work, keeping demand stable in the commercial property rental market and aiding ancillary services in real estate.
- Inflation has hit consumers and businesses alike, bringing financial management and cost-cutting to the forefront. This has led to an increase in the outsourcing of business processes, including legal, regulatory, and financial advisory services.

Industrial services
Advantage Engineering Inc.
was sold to
SyBridge Technologies
Crestview

Industrial services
Rosa Floors
partnered with
Saw Mill Capital

IT services
Green Fox Academy
was sold to
Sandberg

IT services
Tipco
was sold to
Nomentia

Professional advisory
lvb
was sold to
io

Professional advisory
NFP
acquired
kgj Group

Rental services
mbo&co and
sold their shares of
delta service location
to
Société Générale
Eneo
Alliance Entreprendre

Transport & logistics
Customs Support
acquired
M.C.S. of Mediterranean Customs Services

Transport & logistics
Customs Support
acquired
OCS

Transport & logistics
Optimnet
was sold to
hellmann Worldwide Logistics

Transport & logistics
Carlbom Shipping Ltd
was sold to
Pentagon

Transport & logistics
Stop Start
was sold to
storskogen

Consumer & retail insights

SECTOR HEADS

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Household incomes are under pressure, but the food and beverage sector stays strong in 2023

This year continues to see the impact of inflation, high energy prices, and rising interest rates, causing stress on household budgets. Not all M&A is affected equally however. We expect large-cap M&A to see a downturn while the midmarket segment remains strong.

Apparel, gear & accessories
Famar Abbigliamento
was sold to
HMODA

Apparel, gear & accessories
GriGa
was sold to
enjoei

Apparel, gear & accessories
Vicky Form
was sold to
zentrix

Apparel, gear & accessories
LIMONTA
sold 25% to
T.I.P.

Beverages
Brouwerij Martens - Bocholt -
Capital raising & debt advisory

Beverages
Everton - Taste of Nature
was sold to
Cronos Capital Partners

E-commerce
expondo
sold a minority stake to
Crédit Mutuel

E-commerce
extreme digital
merged with
eMAG
owned by
NASPERS

Food & aagribusiness
HKScan Baltic business unit
was sold to
MAAG Grupp

Food & aagribusiness
North American
was sold to
Ironbridge

Food & aagribusiness
Valpizza
backed by
Aksia group
acquired
La Pizza +1
Granbelli

Food & aagribusiness
Rolmer
was sold to
FRENCHFOODCAPITAL

Some product categories are expected to remain steady, including grooming and personal care products, haircare and beauty, pet care, and outdoor camping gear. Both ends of the price range will fare well in these sectors as the consumer will either focus on high-end premium brands or trade down to cheaper brands and own-label products. We also see a focus on alcohol and beverage activity, and continued interest in independent breweries. A trend to note is the food and beverage sector is innovating to aid consumers in adapting to climate change, with an increase in products that have a longer shelf life and use less energy for storage and preparation. Health and nutrition will continue to be a concern, with a focus on improving mental performance, enhancing vitality, boosting gut health, and strengthening the immune system.

Despite challenges in certain consumer subsectors, the continued emphasis on health and nutrition and investments in food brands with growth potential, overall, the consumer sector should remain resilient in 2023.

Food & agribusiness

TRANSGOURMET

acquired for EUR 200 million

FOOD IBERICA

Food & agribusiness

jupiter

acquired

Cool Fresh

Food retail

CHEESE

was sold to

CONO

Non-food retail

USHiP

owned by INTUITIS

was sold to its management with support of

OUEST CROISSANCE

BNP PARIBAS DÉVELOPPEMENT

UNEXO

Personal & household goods

Three Pears BRANDS

acquired brands from

Lornamead

Personal & household goods

nesperta

sold a majority stake to

RESOURCE PARTNERS

Personal & household goods

Mandarin Capital Partners

acquired a majority stake in

KLAPP GROUP

Personal & household goods

BLUE WONDER

was sold to

HG

Travel, leisure & restaurants

kwalitaria

was sold to

ANTEA

Travel, leisure & restaurants

and TUSKA

were sold to

Superstruct Entertainment

Travel, leisure & restaurants

ryde

was sold to

EquipCapital

Wholesale consumer goods

Agrozet

was sold to

GES GROUP

Energy, cleantech & resources insights

SECTOR HEADS

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Energy transition: a journey of no return for the M&A sector

Many M&A deals in 2023 and onwards will have energy transition at their centre, as this is a no-return journey for the M&A sector. Clairfield's strong position in the energy sector will guide and accompany our clients on this journey.

Alternative energy producers
ennatuurlijk
acquired
ecw energy

Alternative energy producers
INNAX
acquired
Technion

Alternative energy producers
ALERION CLEAN POWER
acquired
FRI-EL GREEN POWER

Alternative energy producers
enfinity
sold 3 solar parks to
Verdi Capital

Alternative energy technology & equipment
Sirti
a company backed by
PILLARSTONE & KKR
sold
Sirti E/ENERGIA
to
MUTARES

Alternative energy technology & equipment
FASTNED
acquired
MisterGreen FAST CHARGING NETWORK

Alternative energy technology & equipment
CONVERT
was sold to
valmont

Alternative energy technology & equipment
POHJOLAN ENERGIA
was sold to
MB Funds

Energy distribution
vega
sold its company branch
LEVANTE
to
AMEGAS
a company of the group
EnerGas

Energy distribution
aim
acquired
agsm energia

Energy services
EALYZE
was sold to
NPM CAPITAL

Energy services
greene
was sold to
VENI Energia

High power prices and climate change are dovetailing to make renewable energy more attractive than ever before. Faced with the need to reduce energy dependency, Europe has made the transition to renewable sources the number one priority in the coming year.

M&A activity on renewables is moving from brownfield to greenfield projects, in both solar and wind energy, with greater support for governments to simplify authorisation procedures. New energy solutions such as storage systems and alternative renewable resources like geothermal plants will also drive M&A.

We expect to see investments in energy infrastructure, particularly in the grid, to improve network connections as worldwide energy architecture transforms from a few big plants to thousands and thousands of small renewable plants. The development of smart grids can improve resiliency of grid connections and avoid curtailments, which the US, Australia, and the UK have experienced with greater frequency.

Energy services

KEEPFOCUS

was sold to

Keep Focus Europe GmbH

Energy services

erm

invested in

alliance automation

Energy services

LACROIX

acquired

SAE

Metals & mining

Fairness opinion for

Terrafame Group

related to new financing

Oil & gas

PIONEER CAPITAL

acquired

din

Recycling & waste

GARNIER & FILS RECYCLAGE

was sold to

PAPREC

Recycling & waste

General Industries

1.08

raised equity from

TERTIUM

Recycling & waste

Management &

naxicap

sold a majority stake in

2B ENVIRONNEMENT

to

CAPITAL EXPORT

Recycling & waste

raised US$50 million from

Mitsubishi Corporation

and several investors

Recycling & waste

KARGRO

Worldwide in casings

was acquired by management in an MBO

Recycling & waste

althelia funds

invested in

Recycling Technologies

Water & water technology

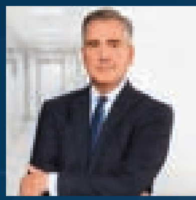
ALLIANCE ENVIRONNEMENT

was sold to

saur

Healthcare insights

SECTOR HEAD



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Consolidation and realignment ahead as margins face pressure

The healthcare segment remains incredibly robust, but the private equity stampede into reimbursed cashflow businesses has stretched pricing. Meanwhile rising interest rates and labour costs are compressing margins. The highly valued healthcare unicorns of the recent past now face serious challenges. This shift favours our traditional M&A focus on prudent installed base "last mile to the customer" strategies and synergistic growth.

Dental care

DENTestetica was sold to LUXMED

Dental care

pluradent was sold to AURELIUS

Dental care

Dentix was sold to United Clinics S.a.r.l. INNOVA CAPITAL

Dental care

dentaurus and medicadent were sold to INNOVA CAPITAL

Dental care

Dental Nobile was sold to enel-med

Diagnostics

Quadra Medical Services Pvt. Ltd. received a strategic investment from a CONSORTIUM OF PRIVATE INVESTORS

Diagnostics

San Cristoforo was sold to BIANALISI analisi mediche

Diagnostics

dasa acquired São Marcos

Hospitals & clinics

HOLLAND CAPITAL sold Maurtiskliniek to CORIUS

Hospitals & clinics

aro Medical sold a majority stake to scanmed

Hospitals & clinics

DRK-Kliniken Nordhessen was sold to Helios

Hospitals & clinics

Omaeläin klinikka was sold to EVIDENSIA

The demand for capex-heavy, installed base, and revenue visible businesses has returned, leading to increased competition for assets and qualified healthcare personnel. As a result, certain governments are considering curbing private equity expansion into the healthcare industry. The shortage of qualified healthcare personnel and high basic healthcare expenses became more evident during the Covid pandemic, highlighting problems in many countries. We expect the US to begin to question healthcare and pharma margins in an attempt to deregulate pricing wherever possible.

Going forward, corporate platforms that save labour and costs, such as AI-powered diagnostics, will be in high demand, while reimbursed specialist practitioners and producers may see compressed margins. M&A activity may slow, with more consolidation and some major surprises from fully-priced groups that fail to deliver. Early-stage venture capital may struggle while late-stage companies with real sales will recover. In short, traditional M&A metrics and financing strategies are back, and it's best to be prepared with dry powder and a target list.

Medical devices & supplies

FAMED owned by EMSA

was sold to

BHMgroup

Medical devices & supplies

Weldon Biotech India Private Limited

sold its POCT business to

cpc everlife

Medical devices & supplies

ottobock.

sold certain assets of

FREEDOM INNOVATIONS

to

PROTEOR

Medical devices & supplies

aws Mittelstandsfonds

sold

A.M.I. Communi5

to

Evoco

Medical devices & supplies

ntoc

was sold to

INOMED TECHNOLOGY

Medtech

HumanTech Spine

HumanTech Dental

was sold to

ci Consult Invest

Medtech

CAIRDAC

raised equity from

MERIEUX SUPER NOVA INVEST bpifrance Turenne

Medtech

max manus

was sold to

Conscriptor

Packaging

STERIMED INFECTION CONTROL

backed by SAGARD

acquired 3 subsidiaries of

amcor

(France, Germany, Spain)

Packaging

RICHARDS

acquired

CLARION MEDICAL TECHNOLOGIES

Social services/ mental health

Regis Healthcare

was sold to

Elysium Healthcare

Social services/ mental health

PILKE

was sold to

Læringsverkstedet

Industrials insights

SECTOR HEADS

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Distinct challenges posed by geopolitics offset by growth opportunities in hotspots and private equity interest

The outlook for the industrial sector is mixed, with challenges posed by ongoing pandemic effects. However, there are also growth opportunities, particularly in the areas of electric vehicles and sustainable packaging. Companies continue seeking M&A opportunities to acquire complementary technology and enter new markets. The trend of developing more localised supply chains will continue creating change and opportunity.

Aerospace & defense

E-KUT was sold to DCM

Automotive

dynamics and MobileNeXt were sold to Formel D

Chemicals & plastics

BHORUKA entered a strategic partnership with SOL

Chemicals & plastics

ReMat Recycling Material was sold to MOLGROUP

Chemicals & plastics

O.C.F. was sold to EXEL Industries

Construction & building products

POLKKY was sold to PFEIFER

Construction & building products

KESTREL Aluminium Systems was sold to SCHÜCO

Construction & building products

BH Srl holding company acquired 40% of IVAR from BEGETUBE

Construction & building products

Bolster. Investment Partners sold holonite® to BUVA

Electric/electronic equipment & components

fedd, TEAM3, leroy, PHENIX were sold to argos wityu

Industrial products

EP E.P. Elevatori Premontati srl was sold to riello investimenti Partners Sgr

Industrial products

STUART TURNER acquired AGM

The electric vehicle market continues to grow, driven by increasing demand for sustainable transportation options, government incentives, and declining battery costs. This growth is creating investment and business opportunities in the EV supply chain. The focus on sustainability is also driving change in the packaging industry, with companies seeking to use recyclable and biodegradable materials to reduce their environmental footprint. We also see growth in the technical building services sector. Energy efficiency is more critical than ever. Businesses that provide components, products, and systems – from heat pumps and heat exchangers to sensors and IoT-enabled devices, plus the industrial services businesses that install and maintain these products – are well placed for growth and their markets for consolidation.

In terms of M&A activity, the outlook is positive, although the high levels of activity seen in 2021 and 2022 are not expected to be maintained. Private equity firms are showing increased interest in the industrial sector, looking towards midmarket companies that offer market share, a strong customer base, and opportunities for operational improvement from automation and digital transformation. Corporates will continue to streamline their operations with divestments expected.

Industrial products

Tollegno 1900

sold its yarn division to

Indorama

Industrial products

Blanchon Groupe

backed by

IK Investment Partners

Abénex

acquired

Rigo Verffabriek

Industrial products

LKE

acquired

SOMEG

Industrial products

Hydro

sold

HYDRO PRECISION TUBING

to

Aurelius

Industrial services

premierpaper

owned by

OVOL

acquired

GPMI

Industrial services

MAMMOET

sold

conbit

to

MANAGEMENT

Industrial services

alliance automation

was sold to

Telstra Purple

Industrial services

SOCOTEC

backed by

COBEPA

acquired

BAC Engineering Consultancy Group

Industrial services

millwork sales

was sold to

SBP Specialty Building Products

a portfolio company of

The Jordan Company

Industrial services

Křenek Forest Service s.r.o.

was sold to

PONSSE

Packaging

Data Print

was sold to

asteria

Packaging

PaperFoam

Joint venture with

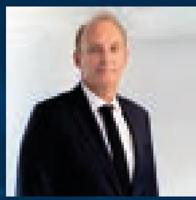
MAX SOLUTIONS INC.

backed by

Jefferson

Tech, software & digital insights

SECTOR HEADS



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The tech sector faces challenges amid declining profits and growing regulation

The technology sector, which has long been considered a beacon of growth and innovation, is not immune to the challenges posed by the current economic environment. In recent months, tech companies have reported declining profits and significant layoffs for major players not used to such situations, signalling that even the tech industry is facing hurdles. Despite this, the tech sector remains an important player in the global economy.

Fintech
Méliuz acquired acesso bank

Fintech
pagantis sold ¡qué bueno! to a shareholder of the group

Fintech
ERCM Holding sold amilon to ZUCCHETTI

Fintech
nets acquired P24

Fintech
GBG acquired IDology

Hardware
Speechi was sold to SIPAREX Groupe bpifrance

Internet services
Fairness opinion for alma in the acquisition of NETTIX

Internet services
CLOUDALLY was sold to zix

IT services
OGL was sold to wavenet

IT services
OPEN NETWORKS was sold to BECHTLE

IT services
technologyone acquired Scientia

IT services
PrimeApps was sold to Jitterbit

One key trend in the tech sector is the growth of the metaverse. This trend is likely to gain momentum as more people turn to virtual environments for work, play, and social interaction. Fashion groups, consumer goods manufacturers, and advertising groups are building teams to reinforce their presence in the virtual world.

Another trend to watch is the increasing regulation of tech companies. Governments are taking steps to rein in their power with laws aimed at protecting consumers and ensuring fair competition. For instance, newly proposed antitrust legislation in the US would force Alphabet to break up its digital advertising business. As a result, tech companies will need to be proactive in navigating the regulatory environment.

Finally, cybersecurity remains a major concern. With the rise of digital technology, cyber threats have become more frequent and sophisticated, putting companies and consumers at risk. Cybersecurity is attracting increasing attention from private equity firms eager to build platforms.

In terms of M&A, the tech sector has seen a decrease in megadeals, similar to other sectors. However, as a percentage of deal value, tech's overall share has increased and is now almost 25%. The tech sector and its potential for growth and innovation will always spark interest.

IT services	Dunning, Kruger & Associates was sold to NOA The North Alliance
Media	locaweb acquired Squid
Media	solocal sold adamedia to AS EQUITY PARTNERS LONDON · ZÜRICH
Software & apps	alcea was sold to ASSA ABLOY
Software & apps	BOSS INDUSTRIES sold elektron to CHAPSVISION DATA MAKE SENSE
Software & apps	Springest was sold to STUDYTUBE
Software & apps	VIVINO US$155 million in Series D funding
Software & apps	WEB GEO SERVICES backed by Seventure, KARISTA, irdi CAPITAL INVESTISSEMENT was sold to CAPZA
Software & apps	AFG acquired a 70% stake in BrokerEngine
Software & apps	Sogelink backed by KEENSIGHT CAPITAL acquired focus SOFTWARE
Telecom equipment	XPLORA was sold to Xplora
Telecom equipment	ielo secured EUR 160 million of financing from DIF CAPITAL PARTNERS and other financial partners

Debt & capital advisory insights

SECTOR HEADS

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Global economy and financial markets facing challenges from high inflation; medium-term recovery projected

The world economy and financial markets are currently facing challenges from the high inflation rate, causing concerns about companies' ability to maintain liquidity and repay loans.

Apparel, gear & accessories

MINIMEIS

Advisor to Minimeis in connection with its private placement

Beverages

BROUWERIJ MARTENS

Capital raising & debt advisory

Construction & building products

Advisor to

POLKKY

on its EUR 77 million syndicated loan

Construction & infrastructure

raised funds with

RHÔNE-ALPES PME

CRÉDIT AGRICOLE

E-commerce

PROFORTO VOOR HELDEN

raised financing from

nobel capital

E-commerce

expondo

was refinanced with senior debt

Home health services and residential care

Clinéo

raised EUR 4 million from

123VENTURE

Human capital

GREEN FOX ACADEMY

raised capital from

SZÉCHENYI

Hydropower

Financial advisory to

KEMIJOKI

Industrial services

EUR 30 million long-term facility

Industrial services

Santander

backed the MBO of

IDE

Industrial services

Terra Patris

Negotiation of EUR 39 million syndicated sustainability-linked loan

The post-pandemic recession was followed by a brief period of prosperity, but rising energy prices, salaries, and commodity prices have led to financial difficulties. The outlook for the euro area has weakened, but governments are implementing fiscal policy measures to partially mitigate the impact. A short and shallow recession is expected in the first quarter of 2023, but the economy is expected to recover in the medium-term as the energy market stabilises and uncertainty decreases. The labour market is expected to remain resilient, and average annual real GDP growth is projected to slow down temporarily but then increase to 1.8% in 2025.

In the circumstances, we forecast a key role for our debt and equity advisory capabilities. The following measures will be critical for all businesses in 2023:

- Assessing liquidity and loan exposure.
- Conducting financial analysis and building models for solutions.
- Optimising debt structure.
- Negotiating and applying for government support.
- Implementing operational cash management and advising forced asset sales.

Industrial services

Mountain Express Oil Company

completed a debt recapitalisation with a syndicated group led by

IBERIABANK

IT services

obase

IPO

IT services

CODECOOL

raised financing from

INTEGRAL

Media

CATTRI

acquired

lightbox

Medtech

BERDAC

raised financing from

Big Sur Ventures

Mining

Adviser to

SOTKAMO SILVER

on amendments to EUR 13.2 million senior secured bond

Non-food retail

Capital advisory for

LAGUSO

Real estate

INCLUSIO

IPO advisory

Social services/ mental health

VIVALTO HOME

refinanced credit facilities through

RIVAGE

with an EUR 112 million bond issue

Software & apps

its me

Equity raise of EUR 24.7 million

Sustainable mobility

e-novia

Advisory on capital raising, private placement and listing on Milan stock exchange

Transport & logistics

reorganised its capital with

bpifrance

Siparex

ESG insights

SECTOR HEADS

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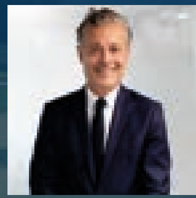

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Businesses have a vital role to play in society's transformation to a more sustainable and equitable model.

Companies also have a special responsibility with regard to the creation of equal opportunities, safe working conditions, a robust risk management and compliance system, and a commitment to clear corporate ethics. Clairfield's ESG practice group focuses on the relevance of ESG to M&A and advises our clients and deal teams on how to incorporate ESG considerations into the dealmaking process.

Alternative energy producers

ennatuurlijk acquired ecw energy

Banking

Foresters Community Finance was sold to Cufa

Banking

Te Creemos Financiera Popular acquired FINSOL

Construction & building services

Terra Patris

Negotiation of EUR 39 million syndicated sustainability-linked loan

Facility services

MV was sold to Nordic Climate Group

Human capital

whyz Executive Search was sold to Lincoln backed by The Talent Club

Industrial products

caprari pumping power sold a majority stake to Ambienta leading to the incorporation of Wateralia

IT services

Green Fox Academy raised funds from Impact Ventures

Plant, machinery & equipment

Ambiente & Nutrizione sold VOMM to Aksìa group

Real estate

Inclusio

IPO advisory

Transport & logistics

Carlbom Shipping Ltd was sold to Pentagon

Transport & logistics

ecolotrans backed by Impact Partenaires was sold to PRIVATE INVESTORS

How ESG changes the corporate risk and reward landscape

Felix A. Zimmermann is an independent management consultant for family businesses with a specialist focus on ESG strategy and leadership. He is a corporate management lecturer and the chair of Organisation and Human Resources at Albert Ludwig University in Freiburg, Germany. Felix has worked for over 20 years as CFO and CEO in listed companies, most recently, as CEO of TAKKT AG, a publicly listed EUR 1.2 billion revenue B2B e-commerce retailer. Felix is a member of various advisory boards and foundation committees. He is senior advisor to Clairfield and member of the ESG practice group.

With grave geopolitical and economic concerns facing us today, it is understandable that ESG issues may not be at the forefront of everyday corporate life. Still, recent developments have only underlined the urgent need for businesses to do their part to contribute to a sustainable and fair environment and to critically reflect on their own business activities.

Increased requirements and applicable standards for sustainability reporting (GRI: Global Reporting Initiative, ESRS: European Sustainable Reporting Standards) provide a further push to companies that are reluctant or do not know where to begin.

The central theme of ESG is initially a key strategic challenge for companies, as the risk and opportunity landscape has changed massively with new regulation. It may seem complex but as outlined below, opportunities outweigh the risks. Let's look at the risks first:

- Financing: Loan approval and loan conditions are increasingly linked to the borrower's degree of sustainability. We have seen cases of lending restrictions or financing cost increases for activities that are not deemed by capital providers to support the achievement of environmental goals.
- Disclosure: With increased requirements on ESG-compliance by credit institutions and customers, information must be systematically gathered and reported. The required disclosure of this information is accompanied by the risk that the required information has never been collected, or that it is incorrect or incomplete.
- Liability: Failure to manage ESG risks can result in significant disputes with almost any stakeholder, customer, or supplier, as in, for example, violations of the Supply Chain Duty of Care Act or environmental pollution lawsuits. Such disputes could lead to claims for damages, sanction proceedings, or severe fines.
- Corporate image: Inadequate handling of ESG issues can also have a significant impact on a company's image. The practice known as "greenwashing" is no longer tolerated by the public and capital market. Misconduct in the areas of HR and governance have also led to negative press. In the age of social media, companies can suffer considerable damage to their image from ESG violations.
- Continuity: Mismanagement of agreed long-term sustainability plans can cause a company to lose market share to business models that operate more sustainably. In the final analysis, the possibility of the company failure cannot be ruled out.

The risks are clearly serious. However, major entrepreneurial opportunities are also opening up that need to be exploited in order to help shape the transformation of the economy and profit from it. Let us look at how ESG is an opportunity.

New avenues to growth

Innovative products and business models that meet sustainability requirements open up new markets and the opportunity to differentiate a company's offerings and create lasting competitive advantages. Companies and end customers are increasingly willing to pay an 'eco premium.' Companies that are ESG-compliant can also score points in tenders from the public sector and large companies. Indeed, business transformation prompted by ESG may create new or modified business models and corporate missions.

Lower costs

Targeted implementation of ESG requirements opens up the opportunity to noticeably reduce costs. Reducing and optimising resource consumption, such as raw materials, energy, and packaging, by increasing efficiency and introducing closed-loop concepts can, after initial investments, reduce material use in the medium-term. Furthermore, comprehensive digitalisation of the business model can lead to significant efficiency gains. Likewise, financing costs can be noticeably reduced by following ESG requirements. And finally, a credible sustainability concept increases the corporate image as well as customer loyalty, which in turn has a positive effect on sales efficiency.

Companies and end customers are increasingly willing to pay an "eco premium."

Successful talent acquisition

Job applicants increasingly expect their employers to provide not just a salary but also a meaningful corporate purpose and lived responsibility toward the next generation. Any business that cannot demonstrate a clear and lived concept in this arena will not be able to attract the talent needed to align the company with the requirements of the future. At the same time, employee satisfaction and identification as well as motivation are significantly higher in innovative and sustainably operating companies, which in turn reduces employee turnover and positively influences the willingness of employees to perform. This applies at all employee levels and in all sectors.

Corporate value enhancement

A good sustainability strategy also has a positive impact on the development of the key value and growth drivers and thus on the value of the company. For example, the value of listed companies that pursue a convincing ESG strategy has developed significantly better in recent years than the value of companies that still have deficits in this area. And in the recent crisis, it has become clear that sustainably managed companies are generally much more resilient. In the case of corporate transactions, it can be observed that a lack of ESG strategies and concepts is now leading to significant discounts in valuations. Indeed, not being prepared for ESG due diligence may preclude a corporate seeking capital from doing so, whether it is traditional lenders, debt funds or private equity, or being a counterparty to a strategic M&A transaction.

The complexity of the topic and the lack of information, capacity, and competence means that many companies need help with how to approach the challenge in a structured way. How can owners and advisory boards contribute to the success of this necessary transformation of their companies?

Demand a clear and substantial ESG strategy

The owners or the company advisory board must demand a clear ESG strategy from management. An owner or advisory board is responsible for dealing with the consequences if a plan is not in place. With a successfully developed strategy, a company can exploit entrepreneurial opportunities and avoid potential risks. Changing canteen food, releasing a swarm of bees, or switching to electric vehicles are good first steps. However, in many cases, they obscure the view of the essential strategic changes in the company's entire value chain, which should begin with a materiality analysis.

Offer credible support for implementation

Owners and supervisory bodies must be seen as willing and active participants in ESG-strategy implementation along with a motivated and enthusiastic management team. Regular communication on progress is key. Managers, employees, and stakeholders outside the company have a good sense of whether the agreed changes are serious or just paying lip service to the subject. Constantly changing priorities or even being suspected of "greenwashing" can do more harm than good to the company's progress.

Request regular progress updates

In order to keep the topic a priority, owners or advisory boards must determine to what extent and at what intervals they should be informed about ESG progress. Reporting starts with a sustainability report and then tracks agreed-upon targets and metrics. Meeting reports should include a discussion of the targets, the current status, and reasons for any deviation. The data presented must be up-to-date; only in this way is a qualified discussion of progress possible.

Ensure competence and a clear mandate

Corporate management bodies must designate the responsibility for ESG to a qualified person or group with the critical competencies necessary for the job. Due to the importance of ESG for corporate strategy, HR, and governance, the chair of the company management should take responsibility here, and be given a clear mandate by the supervisory body to develop the strategy and implement the agreed-upon measures. It is also highly recommended to review the existing ESG competencies in corporate management and to establish and expand them as needed.

The supervisory body must be sufficiently competent on the subject of ESG to be able to assess the results of the materiality analysis, the fields of action and the ambition level of the strategic goals. It must also competently assess implementation. Qualified advisory boards or external experts may be appointed to achieve this. When reviewing the efficiency of the supervisory body, the topic of ESG should also be included.

> **"The value of listed companies that pursue a convincing ESG strategy has developed significantly better in recent years than the value of companies that still have deficits in this area."**

Integrate ESG goals into management compensation

To achieve the agreed-upon ESG targets, it's advisable to integrate them into the management bonus system. Depending on the structure of the bonus system, the business model and the ambition level, the agreement may be limited to the achievement of the most important key figures from the three ESG areas and annual targets.

Now is the time for companies to actively address the issue of ESG and, by developing and implementing a focused ESG agenda, to take advantage of the entrepreneurial opportunities opened up by the desired transformation of the economy. How ambitious companies are in achieving their ESG targets depends on their respective economic situations, their business model, the competition, and the willingness of the management, owners and advisory boards to address the issue proactively. Given the dynamics and importance of the ESG issue for businesses, doing nothing is not an option. Clairfield is well equipped with its ESG practice group and impact and ESG-related transaction experience to assist clients. ■

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