

MARKET FORCE

Selling your business in the UK can be nerve wracking, but selling abroad is a whole different ball game. You feel you are in a colossal struggle with culture, finance, language and methodology. I've now successfully completed three major capital transactions in Russia, Poland and China, and all were unique. Every case of selling a business abroad is different – but this is how I did it.

The Russian deal was completed in a private equity sale after many ups and downs, due to the Russian crisis in 1998 and then the dot com bubble bursting in 2001. I don't believe I was the first to move into that market, perhaps the second or third. However, it's not about being first and being unique but about implementation, scaling, and sticking with it. There were at least three or four occasions in Russia when I thought it was all too much hassle and hard work and wanted an easier way of doing things. I often thought of retracting back into the European market as it wasn't easy to get to the point of a private equity sale. But when we did, we did so with a certain amount of credibility as the private equity firm (Bregal Capital part of the Brennick Myer empire) took the business over and transmogrified it into a FiveTen group company. I think they have €3 billion under their management today and they turned that business upside down and inside out in terms of due-diligence. Luckily – or rather with foresight – for us, we didn't do anything within the Russian market place that was contrary to rules and regulations. In other words, we paid our taxes. In fact, we probably paid more taxes than a lot of people did in Moscow at that time!

It paid off when it came to doing a deal in the capital markets: they're not going to pay US\$30 million for a business if there are significant flaws in it. Anything dodgy or untoward will be scrutinised and weeded out by a Blue chip fund like Bregal Capital. Any discrepancies or misdemeanours can and will jeopardise the deal. They'll assess the business not just from the perspective of entrepreneurs or senior recruiters but from the technical, the process, the bureaucracy, the tax and the administration. They will apply

international accounting standards as well as abiding by local and federal laws of the land.

When they went into the business and dissected the problems and issues that might arise from not doing things properly in Russia, they found we were very clean, spotless in fact, something of which I am very proud.

Interestingly a Russian business was running a sale at the time that never reached completion as their administration and tax methodology was not as clean and straight forward as it could have been. It really does pay off to do things correctly and possess a sort of immunity. I could come back to the UK knowing that the money I had earned was clean and solid. That security and credibility is incredibly important in developing markets.

Great reputation

It is often said that if you are to go into developing markets you're going to do things in a dodgy fashion. The reality is that British businesses have a very good reputation as it is widely believed that we act with integrity. Great Britain Plc. has an outstanding reputation abroad, particularly in developing markets.

We consolidated, went through financial crisis and we sold that business six months before the Lehman Brothers catastrophe. Not even the best economists could have foreseen that financial meltdown. Despite this Antal Russia kept going and were robust enough to trade at 50 per cent higher than when I sold it. It came back strong, holding us in great stead because we had done a deal and we didn't try to go back into that market and take the management out. We didn't offend any of the agreements. We had a co-existence agreement with FiveTen and Bregal Capital for four years collecting dust as we didn't even look at it.

The deal was mutually beneficial from an investor perspective and ours. They made money and we reaped what we wanted from the deal. It may



Antal's Tony Goodwin gives advice on selling businesses in developing markets.

be a modest deal, a relatively small amount of capital when compared to oil and natural resource deals in Russia, but it's good from an international recruitment perspective because it shows our competence in keeping deals and our cleanliness when carrying them out. I've a couple of ex-colleagues / entrepreneurial friends in recruitment who are unable to do deals in certain markets because the people they've sold their business to have lost money. In all three cases we made money for the investors. This is of vital importance for mine and Antal's reputation going forward.

Poland deal

So we did that again in Poland when we sold the Polish entity, this time to a publically quoted company on the Polish stock exchange. With the Russian deal a corporate finance advisor had said to me in 2005 that I would not be able to separate off one entity within the Antal framework called 'Antal Russia' and sell that because anyone who is in the market to buy a business in recruitment will want to buy the whole entity and keep that trading an entire entity. I believed the business was sufficiently geographically different and distinct enough for that not to be a problem.

Likewise in Poland it as suggested that we'd sold the private equity and that public companies wouldn't be interested in buying a separate regional business. Again I thought we should test the market rather than just do plain, vanilla deals that often financiers want to take on because they want their fee and everything to go through. There are very few financial backers with the ingenuity and creativity of those with entrepreneurial skills. I believe you've got to make that market for yourselves, test the market and create the value that resides in your businesses. Ultimately we sold to a private equity and then a publically owned Polish company.

China moves

We then realised we had been in China sixteen years and we were getting bogged down and the only way we were going to overcome it was to get a Chinese partner. So three years ago I approached a Chinese entrepreneur I knew called Wallace Gao of Career International. He was not interested initially as he was focussed on an IPO. Career International is now one of the largest recruiters in China with about 1500 staff in 37 locations within China mainland. They weren't that interested at the time in partnering with a UK entity, but again, it's about selling the opportunity and constructing what you think works for them and making the deal happen. The deal took 18 months from the moment I made the call and took a lot of negotiation, as often is the case in developing markets. But it's worked. We know it has because people like Haiwei, and Misheng Bank and Alibaba, a whole host of Chinese companies are giving us far more jobs than they did before. I asked James Darlington, the managing director, why he thought this was. I said: 'We



haven't publicised to them we have a Chinese partner, how do they know?' He said: 'They just know!'

Through this deal the business has expanded by around 40 per cent this year alone in terms of revenues and staffing, so we will now be part of the IPO in 2016 for which Wallace Gao and Career International are on course. That said, our strength is also our weakness. We don't have a big UK base and what I often compare our success, or lack of it, to is Robert Walters, Michael Page or even Hydrogen. We haven't done as they have because we've never had a strong UK base. I have rectified this by buying a UK high quality back office and professional admin business called Parkside in West London. This is a great business with a terrific team lead by Mike Ryall who has a 25 year history in recruitment. The other weakness we have in our strategy is we didn't have contract terms and interims. All these deals we have done with permanent revenue businesses. Once again we are on track to strengthen this weakness.

We are now in a superb position because of our reputation in the capital markets: we haven't lost people, our investors or money. This is vitally important. Reputation is everything in the capital markets. The only person who has lost money is me, on the businesses I invested in. But I am an entrepreneur, we make money and we lose money. If you don't like that, don't be an entrepreneur as that is part and parcel of what we do. As long as we make more than we lose we're still in business. That's what happening at Antal, we take risks and we drive ideas, ebbs and flows of business. ■