



INSTITUTE OF DIRECTORS
IN IRELAND

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THE IRISH FUNDING LANDSCAPE

Institute of Directors

28th March 2019



INSTITUTE OF DIRECTORS
IN IRELAND

MAZARS CORPORATE FINANCE



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- **B.Comm, MACC from UCD and is a Fellow of Institute of Chartered Accountants in Ireland (FCA)**
- **KPMG – Audit**
- **AIB –Corporate Banking**
- **Deloitte - Corporate Finance (Debt Advisory)**
- **Mazars Corporate Finance (M&A and Debt Advisory)**



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SETTING THE FUNDING SCENE

Funding Growth

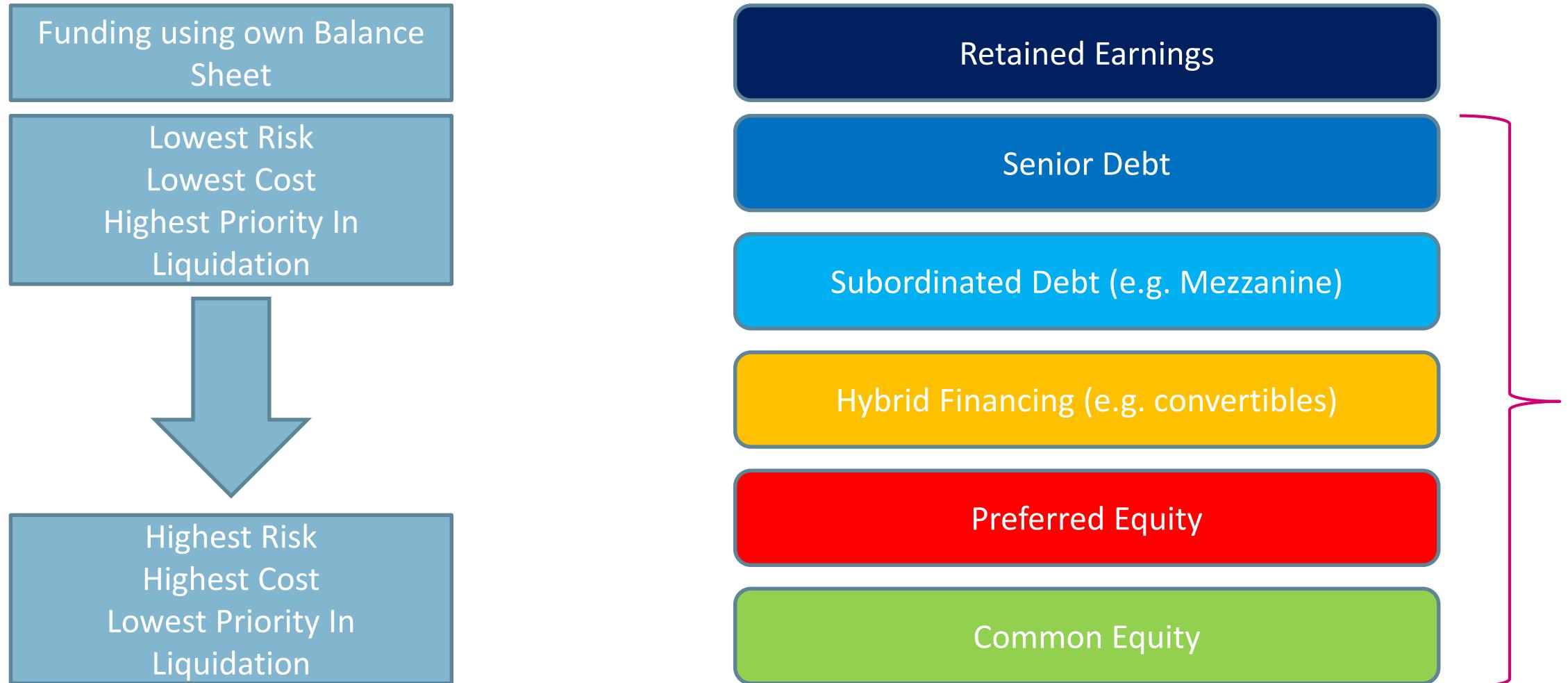
Retained Earnings

Debt

Private Equity

Historically expansion was financed via retained earnings or traditional bank debt but Alternative Debt and Private Equity increasing as an option for many Irish businesses

Capital Structure – Financing Your Business





DEBT

Banks in Ireland Pre-Crisis supporting SMEs

2008



High Street Banks now operating in Ireland

Many pre-crisis players have closed down or gone home



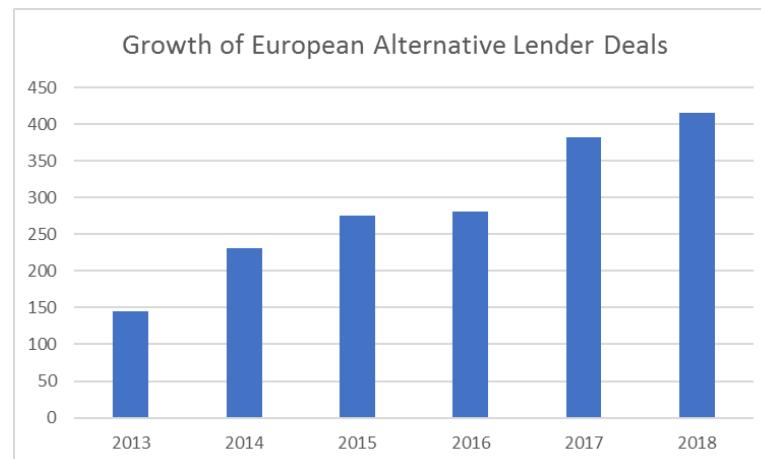
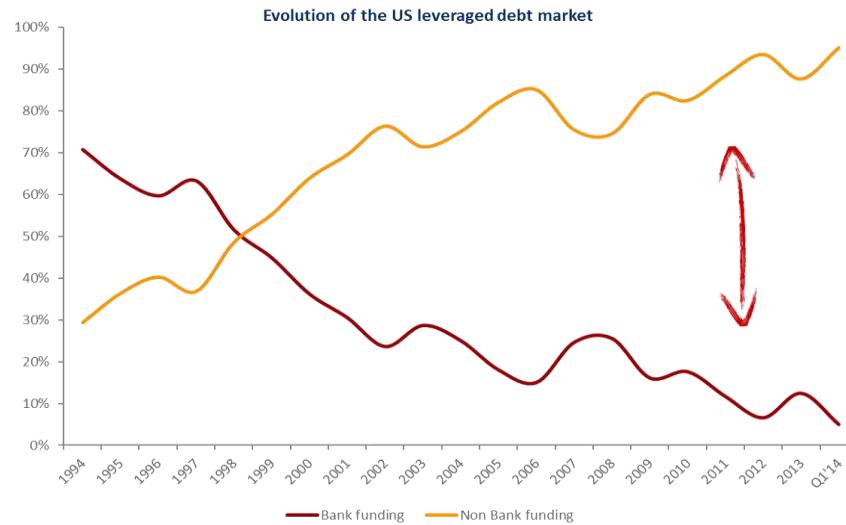
Cash is what repays debt

Traditional Senior Bank Funding

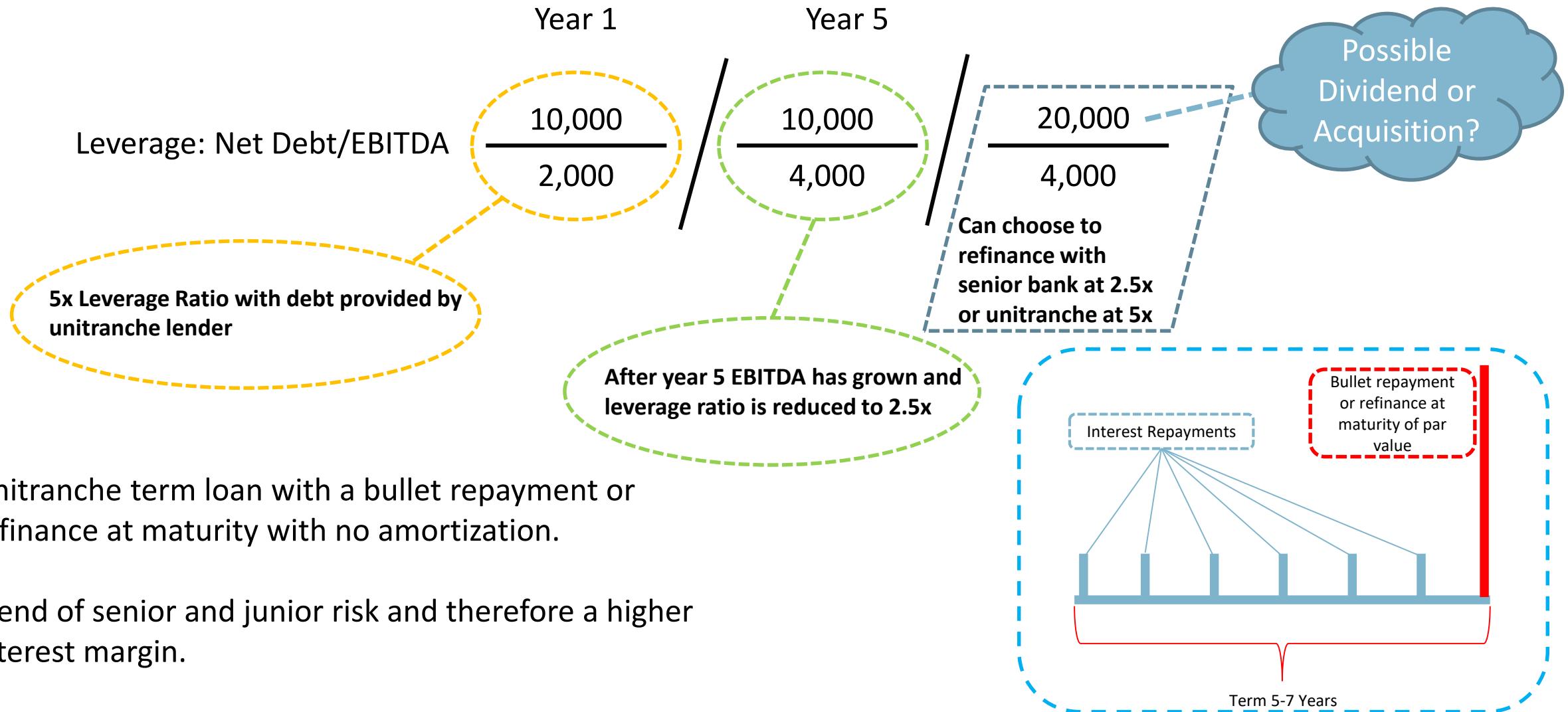


Typical Lending Characteristics	
Leverage	c. 3.0x – 3.5x
Interest Margin	c. 3%–4%
Amortisation	Straight over x years
Fees	c. 1%
Covenants	Can be more restrictive including limits on dividends and wages

Evolution of the Alternative Debt



Unitranche Debt Model



- Unitranche term loan with a bullet repayment or refinance at maturity with no amortization.
- Blend of senior and junior risk and therefore a higher interest margin.

Alternative Debt Providers

Corporate
Cashflow

DUNPORT CAPITAL MANAGEMENT
Muxinich & Co
Close Brothers Modern Merchant Banking
CAPITALSTEP
BEECHBROOKcapital
Capitalflow
PROVENTUS
BEACH POINT CAPITAL MANAGEMENT

Property

BainCapital CREDIT
BOLT CAPITAL
Profunder
relm Real Estate Loan Management
FINANCE IRELAND
CH CASTLEHAVEN FINANCE

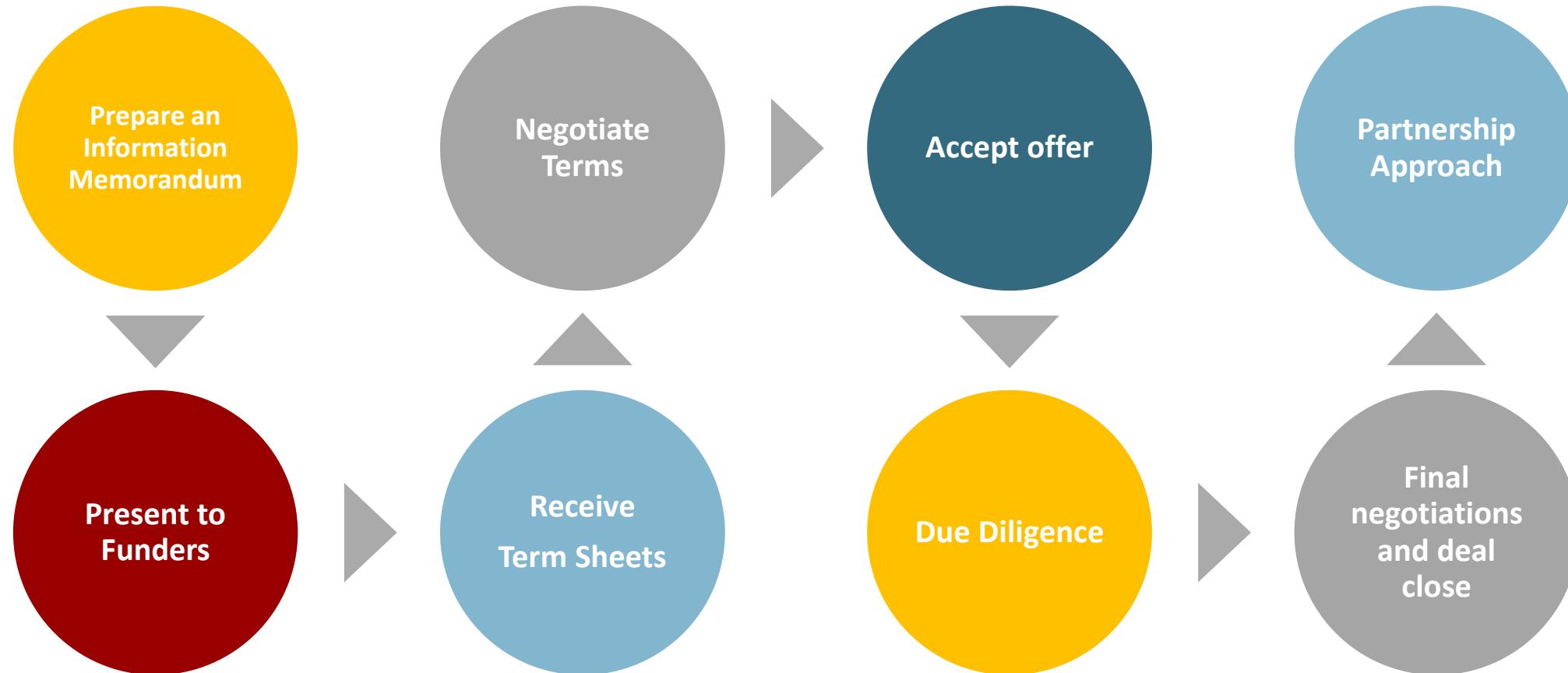
Invoice Discounting

Invoice Discounting

- Working Capital finance help improve cash flow position
- Business draws money against its sales invoices (Debtor book) before customer has paid
- They will advance c.70% of debtor book
- **Ulster BOI and AIB all provide ID – there are specialist providers in the market place also**

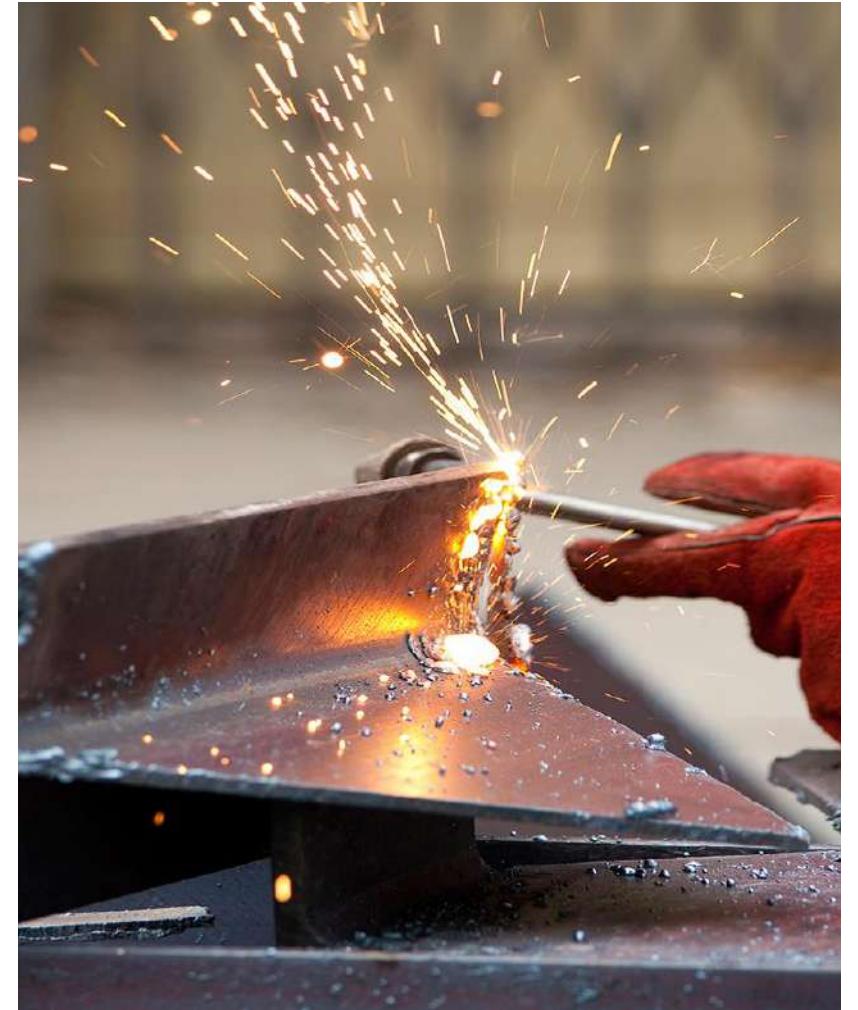


Process to Securing Debt Funding



Case Study – Debt Funded Acquisition

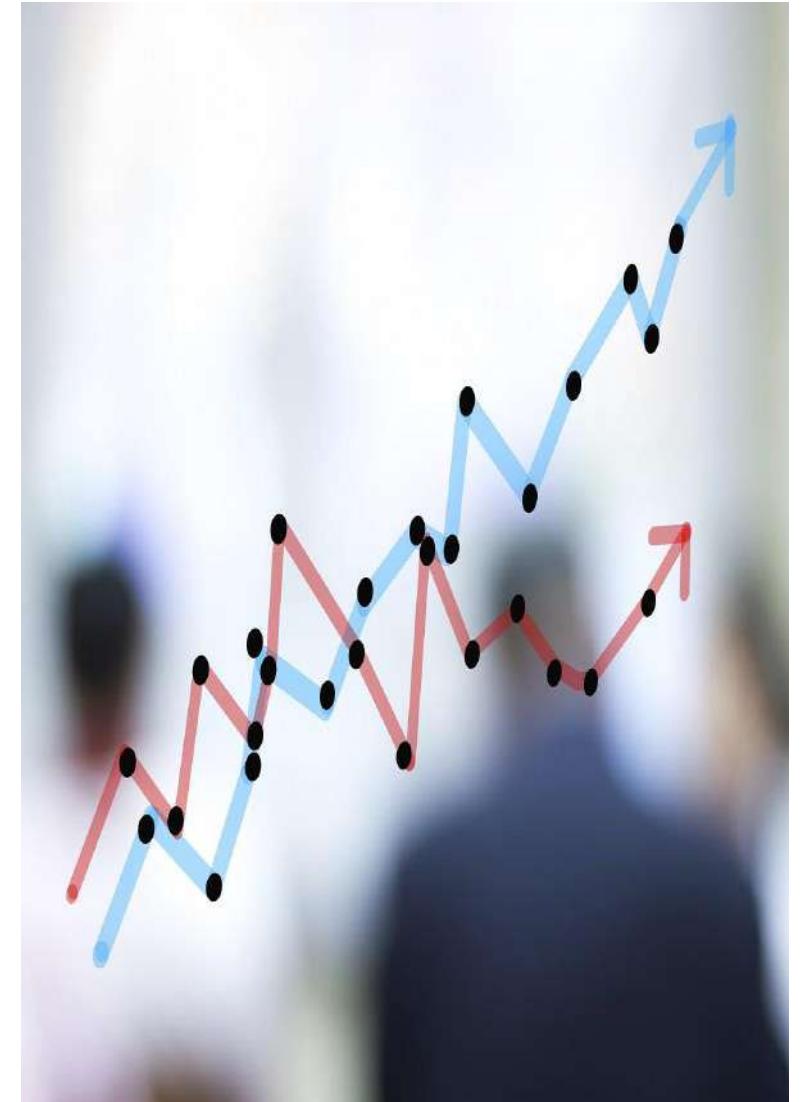
- Our client –a **process engineering company** delivering large scale projects, individual components and maintenance across a wide variety of industry sectors.
- Recognised opportunity for expansion in Ireland given investment by large multinational firms that require engineering services.
- **Approached Irish firm with a view to acquiring the business**
- Mazars Corporate Finance were engaged to **raise financing for the acquisition.**
- We successfully put a **senior bank debt** solution in place to part fund the acquisition



Case Study – Debt Funding for Organic Growth

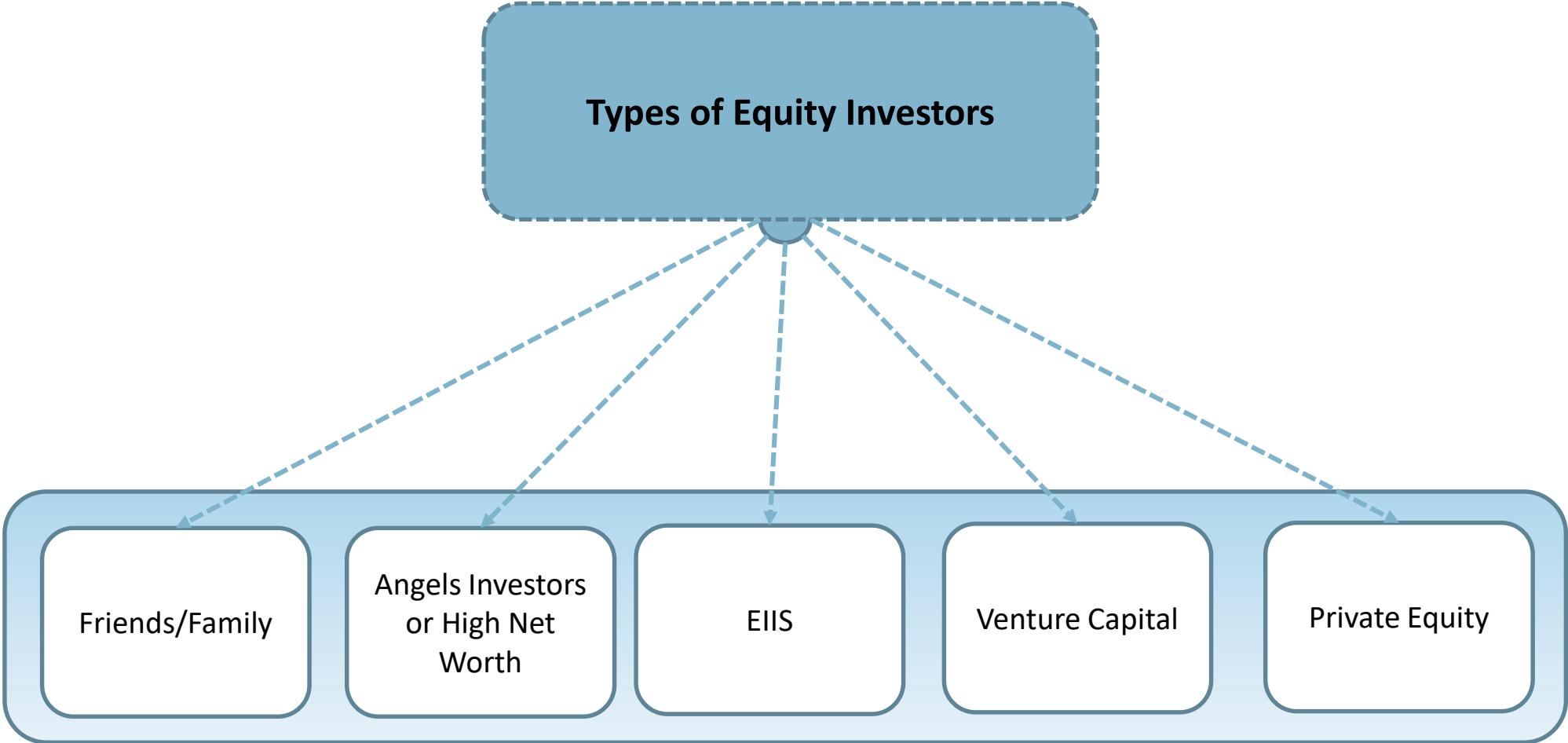
Our Client – Well known Irish Retailer engaged Mazars to:

- Source Growth Funding to expand the company
 - Banking Partner
- Information Memorandum and Financial model were prepared by Mazars and issued to five banks.
 - Took a **wide approach** with Banks to develop competitive tension and drive the best terms and conditions to suit our client and their future expansion plans.
 - Put in place debt solution with the best pricing and covenant suite with comfortable headroom.
 - Very important that the banks know it is a competitive process – they all sharpen their pencils.





Different Types and Sources of Equity



Employment Incentive Investment Scheme (EIS)

- Tax Relief incentive scheme (The old BES)
- Investments in certain qualifying small and medium sized trading companies
- Company is usually established trading
- The cost of this funding typically is c.5%-10%
- Funds
 - BDO Davy
 - Baker Tilly Goodbody
 - Cantor Fitzgerald



Venture Capital

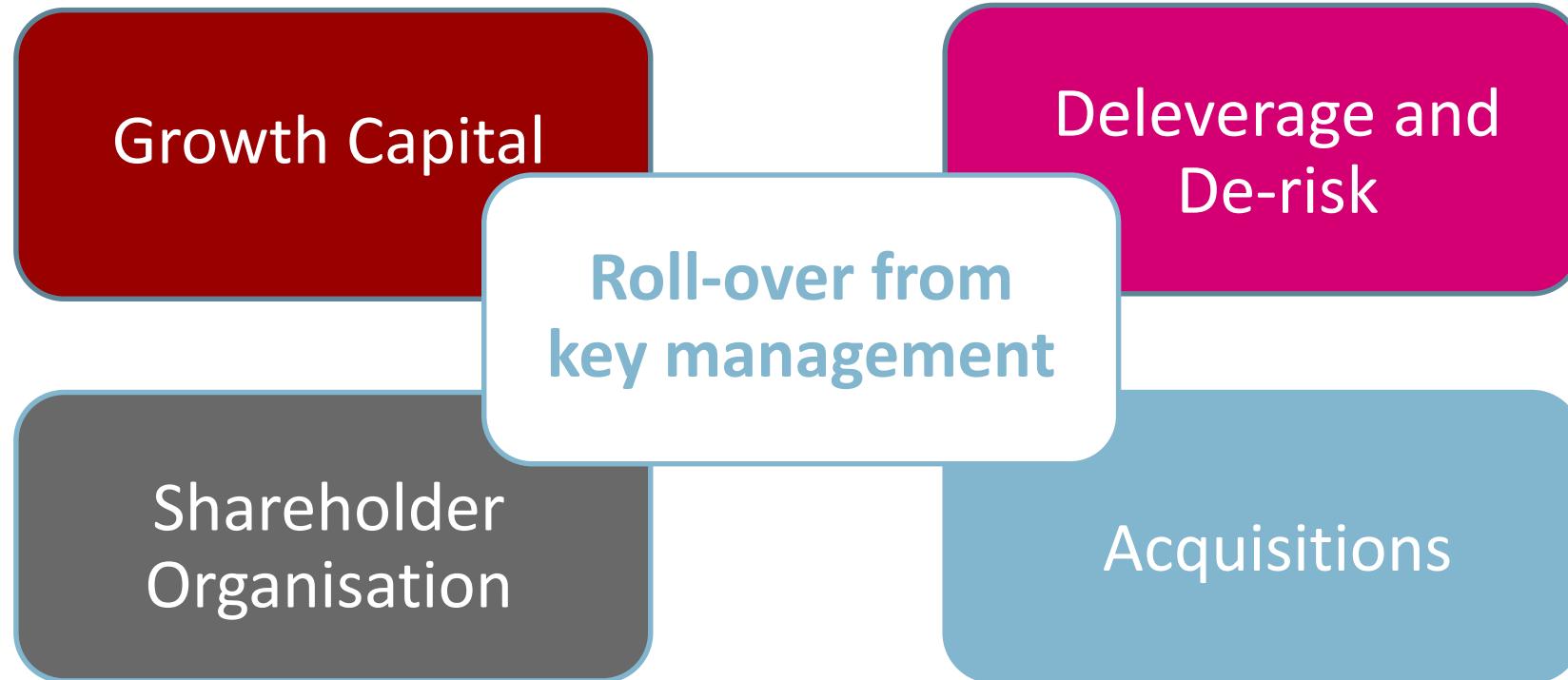
Frontline

Venture Capital

- Provide long term equity finance for start up or early stage companies
- Typically minority investments
- Added benefits – contacts, commercial and strategic expertise
- On-going reporting requirements
- A seat on the board and a say in direction of the business



Private Equity



Prior to 2013 – no history of Institutional Irish Private Equity

- Culture – “Don’t give up the Equity”
- Business owners would rather hold 100% rather than dilute down
- Historically there was an excessive banking market which were sometimes taking equity risk to support business.
- Education of benefits of PE has led to a growing number of deals in recent years.

Private Equity – Irish Funds



Funds above have c. €800m+ of capital to deploy and some will / are looking to raise new funds

Sample Irish Private Equity Deals Executed



Sample International Private Equity actively looking at the Irish Market

H2 | Equity Partners

 **BOWMARK**
CAPITAL

HgCapital }

 **Lonsdale Capital Partners**

 **SOVEREIGN**
CAPITAL PARTNERS

eci building successful businesses

Exponent

VOLPi
CAPITAL

SYNOVA CAPITAL 

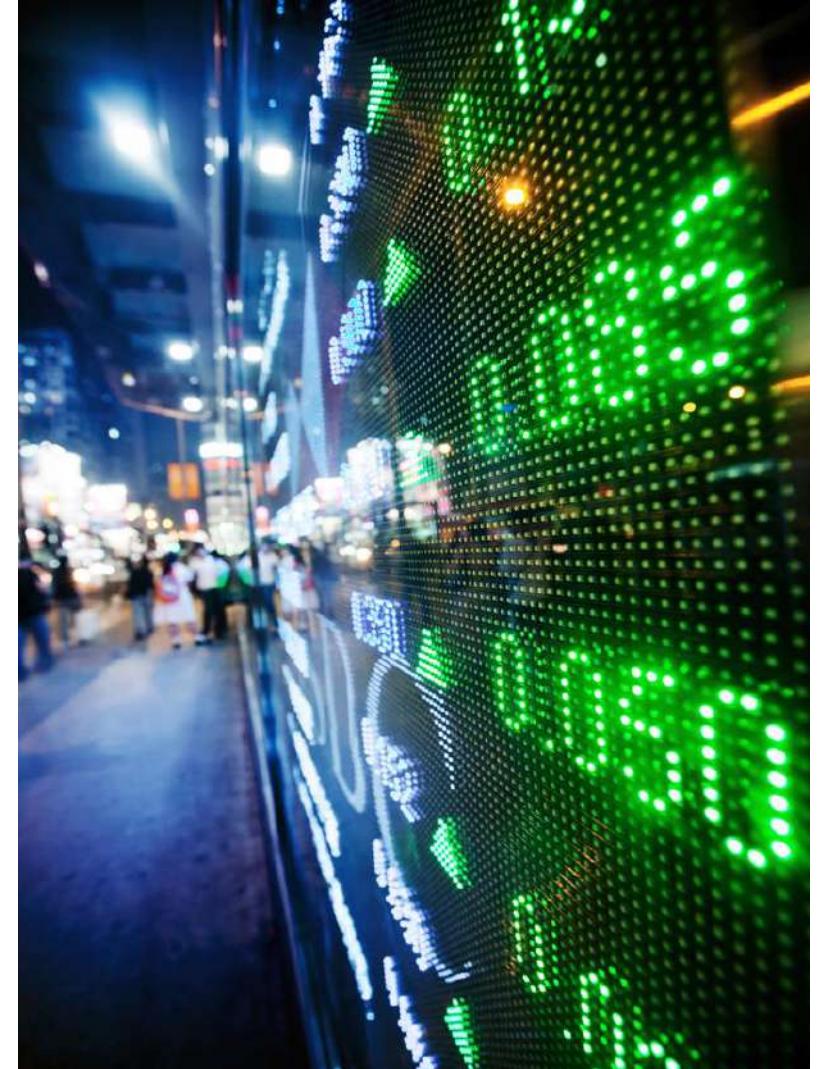
 **Bregal Milestone**

 **SGE**
SUSQUEHANNA
GROWTH EQUITY, LLC

ELAGHMORE

What do Private Equity want?

- Growth potential
- Strong backable team
- Good management information
- Ability to create Value
- Expanding into new markets, new products, increase capacity, bolt-on acquisitions



Private Equity will back MBOs

Will vendors/shareholders sell to the management team?

Will the company be better off under management ownership?

Does the existing management team have the capacity and shared vision to undertake an MBO?

Does the company have strong cash flows?

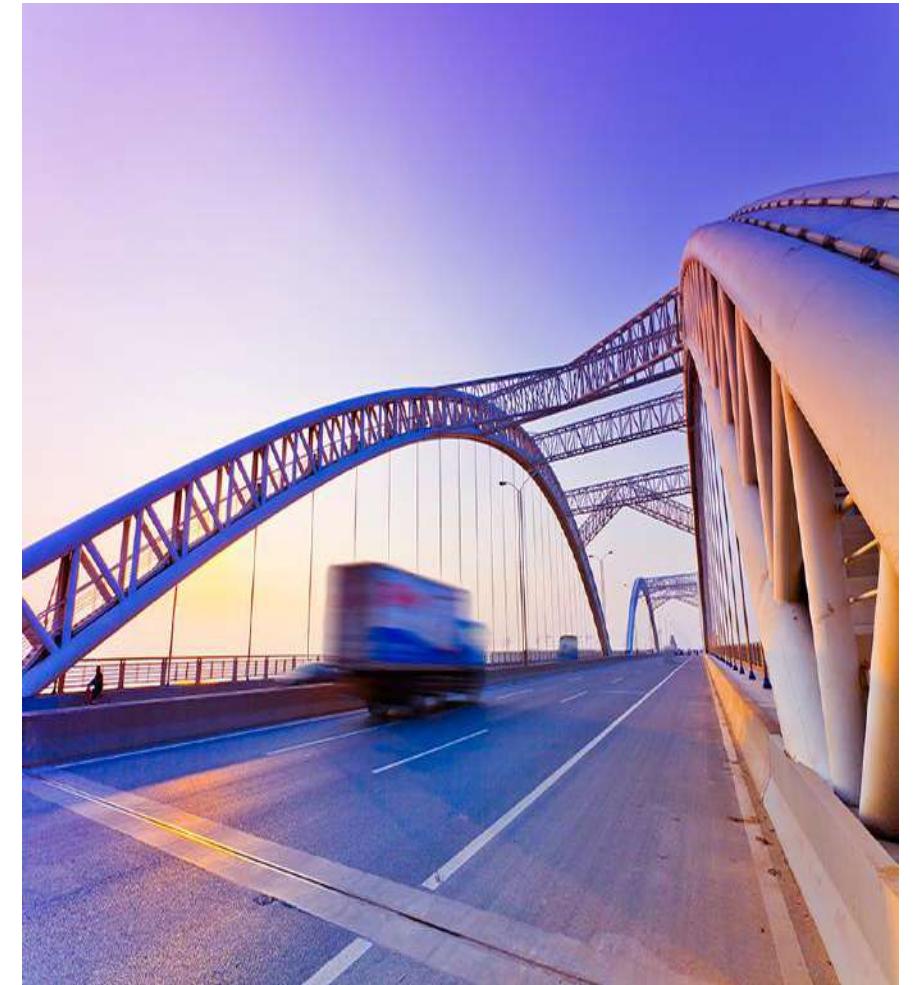
Is the company in a strong trading position?

Is there an "Exit" in 3-5 years?



Private Equity Case Study – Backing MBO & S/H exit

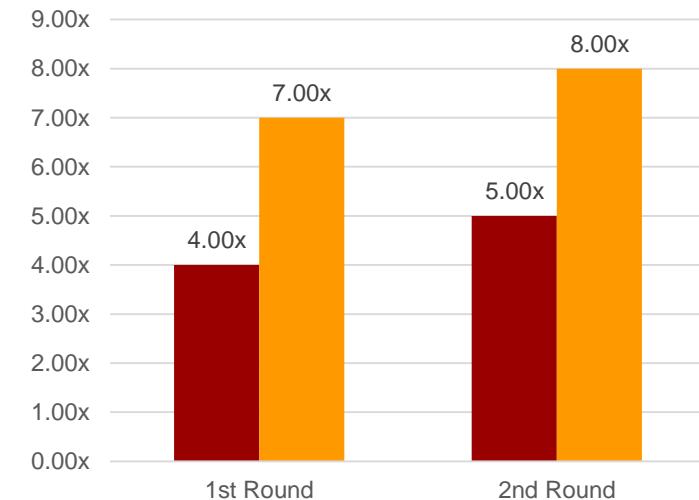
- Our client – Courier company founded as a franchise in Ireland 2001
- Experienced rapid growth in subsequent years
- Management engaged Mazars Corporate Finance to provide **exit for the original shareholders and source funding to accelerate growth**
- Use of PE funds – Shareholder reorganisation which effectively was an MBO
- Key for management was finding the **right partner** for them and one that would deliver the right value for exiting founder shareholders
- The preferred Private Equity firm were impressed by the management and their ability to drive the business to its maximum potential.



Private Equity Case Study – Select right Partner

Our client, a payroll software company engaged Mazars Corporate Finance to:

- Find a private equity investor
 - Partnership
 - De-risk existing shareholders
- Information memorandum, Teaser Document and Investor list were all prepared and approved by the client
 - We took a **wide approach** with investor to drive value and find the optimal partner.
 - Parties signed NDA's and took IM and c. 12 **first round offers were received**



UK PE was the Preferred bidder was:

- Highest bidder
- Best value-add partner
- Previously invested in payroll software and had huge success
- Final deal structure was **preferred equity** with min. threshold

A photograph of several business professionals in suits gathered around a table, reviewing financial documents. The documents feature various charts, including bar graphs and line graphs, with a prominent teal color scheme. A pair of glasses and a pen are also visible on the table. The word "PREPARATION" is overlaid in large white letters across the center of the image.

PREPARATION

Preparation Is Key

Business Plan / Information Memorandum (IM) setting out details of:

History - description of business and its development

Services - emphasis on significant and distinctive competitive differentiators

Market Analysis – Description, size, trends, growth rates, competitors and competitive positioning

Operations – Description of nature and extent of operations

Profiles - Management team & experience

Growth Strategy – How are we going to grow the business

Financial Model – Historic and forecast performance, 5 year projected cashflow (Repayment Capacity Statement for debt funding)

IM should address potential risks and highlight use of funds required

Mazars Preparation Comments

Price

- How to maximise the price someone will pay for our company
 - Articulate the growth story
 - Financial Model
 - Normalised Earnings

Value

- This relates to deal structure and after tax proceeds
 - Different stakeholders have different priorities

Risks

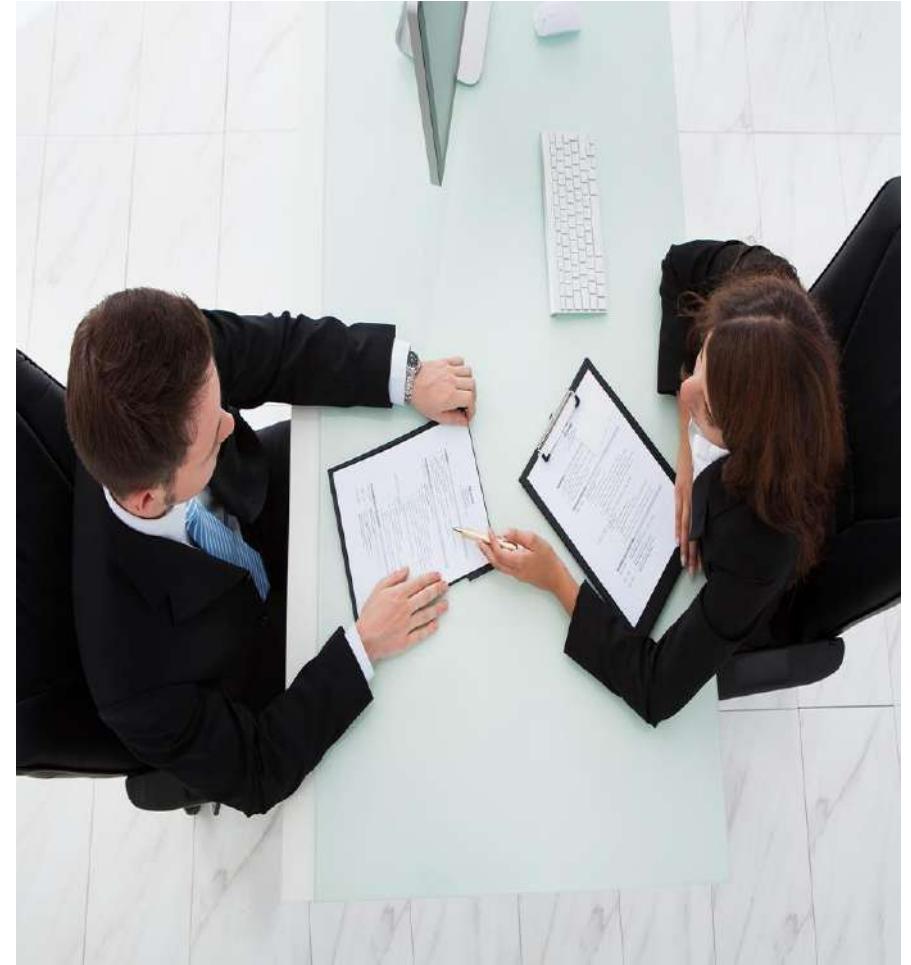
- How to mitigate execution risk
 - Vendor Due Diligence?
 - Vendor Legal Review?
- How to mitigate liability
 - Produce an SPA
 - Warranties & Indemnity Insurance?



A competitive process will maximise price and value, and limit the risks

Conclusion

- Many different types and sources of funding available
- When looking at equity – right partner is key (More than just capital)
- Consult and explore – Advisor will help
- Be Prepared – have business plan





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