



# UNLOCKING THE POWER OF 'BUY AND BUILD'

'Buy and build' - the acquisition of rivals or complementary firms, creating a business that is more than the sum of its parts - has become a popular way to create scale and resilience. But acquiring another business is not for the faint-hearted: you have to find the right business, create an arrangement that works for all parties, communicate with stakeholders and mastermind the integration, all while running your existing business.

Rebecca Burn-Callander speaks to three business leaders about their experiences of leading an acquisitive growth strategy and uncovers the secret to their success.

Frances Rus is the managing director of the Scottish chain of opticians, Duncan and Todd Group. She has acquired 16 businesses within a 13-month period. "This is the absolute best model for my kind of business," she says.

The previous owners were growing the business through cashflow alone, but the model was "slow and hard to build real momentum", she explains. That has changed. "We now manufacture our own lenses, so we can instantly make any business we acquire more profitable by switching to our products, which brings economies of scale while improving quality of our service for customers."

Growth is hard won in the lettings industry too, according to Will Linley, the co-founder of Yorkshire estate agents Linley and Simpson. "The buy-to-let boom is behind us and the ban on tenancy fees has put pressure on the industry, so it's no longer easy to grow organically," he says. Yet Will has achieved incredible success through acquiring independent agents across the region: "We make eight to 10 acquisitions a year," he says. "We're now the market leader in Yorkshire with 22 branches and 260 people."

He says that acquisitions are an effective route into new markets and geographies, giving the buyer instant boots on the ground. "We have consolidated in north and west Yorkshire, the heartland of the business, and now we are going into other areas, such as Hull and Sheffield," he reveals. "From here, we'll move into other regions too."

Frances agrees: "We have 41 opticians sites now and I'm planning to accelerate this in 2021, perhaps even moving south into England. Lots of smaller independents are looking for a buyer in the wake of the pandemic."



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Frances Rus, Managing Director,  
Duncan & Todd Group

While you can't eliminate risk entirely, there are some rules you can follow to give yourself the best chance of success, according to Matthew Parker, the CEO of London-based Babble, which provides unified communications and cyber security solutions for over 2,000 small and mid-sized businesses.

“An obvious point, maybe, but we only buy good businesses,” he says. “That way, you inherit good people. You also have to like the people who are running the businesses you want to buy,” he continues.

“It is also important to have experienced partners on board when you first embark on a buy and build - you need to bring experts to the party. Ultimately, it's all about the people,” he adds.

Will agrees and advises anyone attempting 'buy and build' to be prepared to invest time meeting the owners of potential acquisitions: “You have to get out there and meet people,” he says. “That insight is invaluable.” Patience is also a requirement, he adds: “We completed on a business three months ago... It's been six years since my first offer. The couple who ran the business retired and the lady said 'I've had your letter on my bedside table for five years. Finally, your time has come.”



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Will Linley, Co-founder, Linley and Simpson

Matthew has bought six businesses over the last three years, which has dramatically increased Babble's revenue - and valuation. “We've increased our enterprise value by 20 times in the last three years, with the support of our investor. Buy and build is absolutely the best way to achieve a steeper curve on the growth of your business. It would have taken a decade to achieve the same growth through an organic approach alone.”

Private equity has been vital to the success of Frances' buy and build strategy. “Most of what we are paying for when we acquire a opticians business is goodwill, like patient records,” she explains. “Banks struggle to fund deals like that as they are hard to value. Private equity not only allowed me to buy great businesses but also gave me the ability to invest in Duncan and Todd – in our management, our manufacturing, everything - so we could make the most of the growth.”

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