
KEYNOTE INTERVIEW

Driving value through tech-enablement



*Maximising the impact of technology requires swift and strategic action aimed at realising internal and external value creation opportunities, say Graphite Capital senior partners **Humphrey Baker** and **James Markham***

Q As an investor across a range of sectors, what tech-enablement opportunities does Graphite Capital look for at the point of acquisition?

Humphrey Baker: We screen every acquisition target in a methodical and rigorous way to identify opportunities to develop and deploy technology. Our effort is focused on both internal improvements, driving efficiencies, scalability and accuracy to decouple revenue from overhead growth, and customer-facing enhancements, driving differentiation, retention and engagement.

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The experience we have gained through investing in over 100 platform companies across multiple sectors allows us quickly to identify the levers we wish to pull. An example is our investment in nGAGE, where we spent over £3.5 million on technology that has allowed us to double gross revenues without materially increasing central overheads and to launch several proprietary customer-focused apps and software platforms to drive

differentiation and open up new markets. The important steps at the point of acquisition are taking a clear view on the current status of tech enablement and agreeing a pathway on which the company can capitalise over a three-to-five-year period.

James Markham: Because we invest across all sectors, and because of the size of businesses that we back, our companies have a broad spread of tech capabilities at the outset. We adjust our approach accordingly. Often the opportunity involves us being the catalyst for tech enablement.

Q How do you approach tech enablement as a value-creation lever in portfolio companies early on?

JM: We always undertake tech due diligence when appraising a new deal opportunity. We incorporate those findings, and our own thinking, into a value-creation plan, which we continue to refine once we have invested. Crucially, we look to make any change to the technology landscape of a business as early as possible, so we can accelerate the benefits and boost growth, whether through internally-focused or externally-focused technology enablement.

We try to define that pathway quickly and scope it out in detail with the management team. It is critical that there is senior sponsorship and engagement internally, as technological change tends to require time and engagement from many parts of a business. We have also built up an extensive adviser network that can support us with defining and implementing technological change.

When choosing the right tech advisers, the key for us as gatekeepers lies in their expertise and their ability to understand the operational infrastructure of the businesses we invest in and the limitations of their resources. The best advisers in that context are often highly capable boutiques. If our portfolio company is comfortable with the advisers, we will typically play more of a monitoring role, and if they need more help, we will become very involved in delivering the change.

Q What additional support do portfolio companies need when it comes to technological change?

JM: The key elements are making sure we have sufficiently scoped out what we are trying to achieve and making sure there is proper engagement. Both require core project management disciplines, which we bring from our experience of overseeing many different change programmes. We may do that

ourselves, or we may hire an external project manager and that will be reinforced by our own technology expertise in the team and also through our advisory network. By combining these, we can offer insights on technology strategy, taking into account commercial objectives and operational execution.

HB: We are not prescriptive in our approach, but work with management teams to support them in the most appropriate way for their project. We are used to being ambitious and accelerating our tech investment early in our investment period; because the sooner we invest, the sooner the business can capitalise on that. Almost every portfolio company goes through technological change under our ownership and that can range from a big change programme to incremental digital transformation projects that we implement in the most effective way possible.

Q Can you give examples of strategic tech-enablement projects in your portfolio?

HB: We invested in Hanson Wade, an events business focused on the life sciences industry, in August 2019. The business runs approximately 180 life sciences events each year, and part of our strategy was to develop a digital product that we were starting to design pre-covid. The pandemic meant that, suddenly, the business could not run physical events, so in the space of a few months the management team pivoted the entire product online. We now have a business that has run 180 digital events in the last 12 months and will retain a highly differentiated digital product as the physical world returns.

Hanson Wade also has a data business, Beacon, which we replatformed and is growing at over 75 percent per annum. Tech enablement within Beacon has facilitated an increase in headcount from 11 to 40 in two years, growing the addressable market, improving performance, enhancing user experience and achieving greater efficiency.

JM: That type of accelerated tech adoption is something that many of our portfolio companies have achieved in shortened timescales in the past year.

By way of a further example, YSC is a leading independent global leadership consultancy that historically conducted its engagement with clients face-to-face and was developing a digital platform pre-covid.

That platform was designed to augment existing services and develop new ones. It has been developed by a dedicated in-house team working alongside external consultants. We have played a leading role on the project steering committee since its inception. The commercial positioning of the platform was a fundamental focus, and this has paid off as the platform is already driving client wins, prospect engagement and generating licence fee income. The business can now engage with clients physically, virtually, or using a hybrid model.

Q What types of companies are best placed to benefit from digital transformation?

HB: Looking at this right across the spectrum, not just within TMT, there is a significant opportunity for the majority of businesses to benefit and evolve. We have seen this within our portfolio, right across the board. Where it makes sense to do so, the businesses that have got on the front foot and deployed technology to their advantage have reaped rewards in short order. Covid has shown how quickly it can be done.

We focus on investing in businesses in markets underpinned by major growth trends, helping companies compete more effectively in the modern economy. With the right level of constructive challenge, leadership and access to capital, most businesses can take advantage of customer-facing and internal technological deployment to increase their relevance and drive differentiation and operational efficiency. ■