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BUSINESS

Dynamic duo of private equity

Rory Quirke and Neil McGowan of MML are forging new territory on SME investment opportunities

BRIAN CAREY



Neil McGowan, the co-chief executive of MML Growth Capital Partners Ireland, remembers the early presentations well. Investors including senior representatives from GoldPoint Partners, part of New York Life, and Cigna, another large American giant insurance company, gathered for the private equity firm's annual update.

Within six months of closing its inaugural €125 million fund in November 2013, McGowan and his fellow chief executive Rory Quirke signed off its maiden investment: Lowe Rental, a Northern Ireland-based refrigeration company.

Then it hit a monumental speed bump. Three years after it was founded, the fund had invested just €31 million in three companies. Having courted the US investors with a flood of opportunity, MML seemed to be facing a drought.

"There was definitely more talk about pipeline than performance," McGowan says.

He recalls Ed Lewis, senior managing director and head of alternative assets at Cigna, standing up at one meeting and publicly endorsing the firm. "It took the pressure off," McGowan says.

Quirke nods in agreement. "They had seen new markets before. They recognised that, above all, you need to keep your discipline, you need to keep your process, and not move away from the original plan."

MML Ireland stuck to its plan and last April celebrated ten years in business. It is negotiating its 20th investment and has deployed more than €200 million in capital. In all 20 deals, company principals have taken cash off the table. In 17 of the 20 transactions, the same principals have "rolled" a portion of their money, with MML, back into the enterprise.

The firm has helped investee companies fund 15 acquisitions, and it has successfully exited eight companies.

In 2021, the firm closed a second fund, raising €145 million. Cigna and Lewis were back on board, as was the Ireland Strategic Investment Fund, which did not exist at the time of the first fundraising.

Given its rate of capital deployment, preparations for a third fund cannot be too far away.

Investing between €5 million and €20 million in small and medium-sized enterprises with high potential for growth, MML is not the biggest of the new breed of Irish private equity firms by capital – but it is easily the busiest. It was also the first.

Beneath the numbers are myriad stories. In 2018, it took a 60 per cent stake in Sheridan Insurances, a Wexford broker, and then funded the acquisition of four other brokers. Within four years it had sold the group, Innovo, to Arthur J Gallagher & Co, one of the largest brokers in the world, for €81.1 million.

Another portfolio company, Schivo Medical, a supplier to medical device multinationals, has acquired businesses in New York state and Quebec.

Eastland Engineering Supply, a supply chain management company, began life 30 years ago in a garden shed in a Dublin suburb. With MML's support, it has opened a base in Florida and is pursuing US expansion.

Quirke says that an MML investment "event" often acts as a catalyst for change. It is a kind of reset.

"A principal shareholder typically has all their wealth tied up in one vehicle, and management might have some equity but it's not significant," he says. When MML invests, the founders get an opportunity to take cash off the table, management are incentivised with a



BRYAN MEADE

Rory Quirke, left, and Neil McGowan are "joined at the hip" at MML Growth Capital Partners Ireland

greater stake and there is fresh capital to fund growth.

"The shareholder base is aligned with the growth ambition of the enterprise," he adds. "And there is a greater appetite for risk."

The firm often arrives when a business has reached a crossroads. In 2015, for example, MML invested €12 million in Identigen, a 1990s Trinity College Dublin spinout which traces meat products using genetic markers. Originally backed by Paul Coulson's Yeoman Capital, the Identigen founders Ronan Loftus and Ciaran Meghen were keen to exploit opportunities in America. Their existing backers were not in a position to fund that expansion, nor were they keen to be diluted by a fresh equity injection. The MML cash was used to buy out Yeoman and other early backers and provided Loftus and Meghen with the investment to grow. In 2020, the animal health unit of Merck, a US pharma giant, acquired Identigen for €50 million.

It has backed a bathroom maker, conference organiser, home care provider, children's care home operator, IT services company and trucking company. It fished Kyte Powertech, a maker of electrical transformers, out of the liquidation of its Belgian parent. McGowan says the firm is "sector agnostic" and unlike many private equity (PE) outfits, feels comfortable taking a minority stake.

"We take the time to understand the growth opportunity, and the risks around it," says Quirke. "Once we have done the due diligence, we feel we are part of the journey. We like to be involved in strategy, we don't want to be involved in the day-to-day running of the

business." Now "joined at the hip", as one associate put it, the co-chief executives were virtually strangers a decade ago.

McGowan's career slalomed from PwC in Dublin through an eight-year sojourn in investment banking in London at HSBC and Bank of America, before he joined Goodbody Corporate Finance. He then spent five years as investment director with FL Capital Partners, a boutique private equity firm headed by renowned dealmakers Peter Crowley and Neill Hughes. FL was a very different animal. It raised capital from high net worth individuals on a deal-by-deal basis. It coaxed the golfer Rory McIlroy to invest in Sun-seeker yachts and persuaded bloodstock figures to buy the Racing Post.

In late 2012, an FL portfolio company, ATA, a precision engineering business, reached its own crossroads. Peter Cosgrove, its chief executive, was keen to do an acquisition in America, but FL was not really in a position to fund it.

Like Identigen years later, ATA sought a backer to buy out the FL investors at a premium while also investing the capital to do the deal in America.

The backer turned out to be MML Capital. McGowan admits at the time he had never heard of the firm, but he was hugely impressed. Founded by Rory Brooks, a Briton who had worked in banking in Boston and New York, the midmarket private equity firm had by then a 24-year track record of providing growth capital to ambitious companies.

MML Capital, which has offices in London and New York, currently has €2 billion in assets under management. The Real Deals European midmarket private equity firm of the year in 2022, it has a wealth of experience and expertise across markets and industries that its Irish partners regularly tap.

At the same time it was completing the ATA deal – which it exited in 2016, having earned three times its money – MML was talking to state agency agency Enterprise Ireland (EI) about managing a

new development capital fund.

The financial crisis exposed an excessive reliance of small to medium-sized companies on bank funding, which was then in very short supply. "There was a recognition of the need to diversify sources of funding or else there was a danger these companies would not grow out of the crisis," McGowan says.

MML tendered to manage the EI development capital fund and asked McGowan to come on board as its "boots on the ground". When MML landed the mandate, McGowan approached Quirke, a director of TVC Holdings, a Dublin quoted private equity company, to join.

Quirke had 15 years' experience at TVC and its precursor, Trinity Venture Capital, the Reihill family investment vehicle. It had a mix of technology venture investments and larger plays such as broadcaster UTV. It backed Pat McCann in the creation of Dalata, the now quoted hotel group. For a period,

Quirke was Dalata's non-executive chairman. By May 2013, however, TVC was giving cash back to shareholders and heading off the market.

Despite the compelling logic, the private equity fund was still "a jump into the unknown", says McGowan. At the time, Quirke's wife was expecting the couple's fourth child. "We went out looking for €100 million, but if we didn't raise the money, if we fall flat on our face – there would be no business."

EI was a cornerstone investor, and AIB signed up. MML had strong relations with the European Investment Fund (EIF) and also brought Cigna and GoldPoint on board. McGowan says that the American investors "bought into the story of capital dislocation in the market".

Both men put its sluggish start down to caution in post-bust Ireland. Entrepreneurs were "nursing the scars on their backs", McGowan says. Also, corporate finance advisers needed to become comfortable with the PE model.

The space is now populated by a plethora of Irish PE firms including Cardinal Capital, Melior, Erisbeg, Renatus and BDO's Development Capital. Increasingly British private equity is training its resources on companies here.

"It's the way the market should be," Quirke says. "Good companies should have options." British PE firms are also a key buyer of MML's investee companies. It sold H&MV, an electrical engineering company, to Exponent; Lowe Rentals to Perwyn; and Fastway Couriers to Elysian Partners. It is unlikely those deals would be done if MML had not invested first.

In all but one of its 20 investments, MML was the investee's first taste of institutional investment. Much of its work, before and after due diligence, is on tightening up information flows and financial reporting. "We roll up our sleeves and work through the information with management," Quirke says.

It means that, on a so-called secondary sale, a British private equity player, who typically will not have a presence here, can walk in and do a deal. It eases any deal friction, McGowan says. MML is happy to take the exit – at the best price – if there is a better partner for the next stage of a company's development.

H&MV recently announced 700 new jobs, and Quirke says MML is "proud to have played its part in the journey".

There have been bumps. Covid was a big challenge for some – Travel Department, an escorted tours company, saw its business fall off a cliff overnight. Yet in many ways the pandemic validated MML's backing of management at investee companies. "The resilience of the Travel Department management has been extraordinary, and it is now enjoying the rewards," McGowan says.

It has built a team of eight investment staff, now seasoned dealmakers.

Even though both men are experienced operators, they admit to being constantly surprised at the pearls unearthed in the SME sector here for which there are opportunities for consolidation at home and expansion abroad.

MML stands waiting as the catalyst for change.

THE LIVES OF NEIL MCGOWAN AND RORY QUIRKE

Neil McGowan
Age: 47
Lives: Dublin
Family: married to Marie with two boys – Eoin, eight, and Mark, six
Education: MAcc and BComm from University College Dublin
Favourite film: *O Brother, Where Art Thou?*, right
Favourite book: *The Third Policeman* by Flann O'Brien
Downtime: Ferrying boys to activities and unlikely assistant coach to Ranelagh Gaels under-sevens.



Rory Quirke
Age: 51
Lives: Dublin
Family: married to Joyce with children Zach, 19, Ralph, 17, Romey, 14, and Daniel, nine
Education: BA and MA in economics from UCD
Favourite film: *The Longest Day*
Favourite book: *The Secret Race* by Tyler Hamilton
Downtime: Family activities including drama and sport, and Old Belvedere under-tens mini-rugby coaching.