

CASE STUDY

SALMON

Enabling award-winning e-commerce

The Client

Salmon delivers and supports large-scale, award-winning e-commerce systems for leading retail, wholesale and manufacturing brands, including Akzo Nobel, Argos, Game, Halfords, Kiddicare, Morrisons, Selfridges and Premier Farnell. With revenues of £34 million and employing 420 people worldwide, Salmon provides digital design, delivery, consulting and support services from offices in the UK, China and Australia.

Salmon enjoyed a strong market position in its existing territories, but was increasingly competing against global systems integrators as it sought to expand its international presence and customer base. Keen to realise Salmon's growth potential, the management team recognised that it needed the backing of a strong partner to help address these challenges.

In addition, Salmon's founder, Chris Harvey, had two critical objectives in approaching a company sale: "I had sold the business some years previously and subsequently led an MBO to buy it back when the acquisition did not fulfil expectations. As a result, I wanted to ensure that we secured the right acquirer the second time around and achieved a strategic valuation to maximise return on investment for the management team."

Having already received several inbound offers, Chris and the team opted for a formal sale process run by an experienced advisor in order to identify the best acquirer and optimise valuation.

Background

FirstCapital was recommended to Chris by a former colleague, Julian Harris, who had worked with FirstCapital to achieve a highly successful strategic sale of his company, Smart421. On the basis of Julian's recommendation and a first meeting with FirstCapital, Chris was convinced that he had found the right partner to work with. "From the very beginning, when FirstCapital presented their understanding of our capability, positioning in the market and future potential to us, they demonstrated the depth of their knowledge in our sector. Additionally, they picked up on strategic priorities such as our positioning in the digital agency space, which clearly differentiated them from others in their ability to identify important value drivers in Salmon," he explains.

Chris was not immediately ready for a company sale and valued FirstCapital's support and approach in the months leading up to the commencement of the process. "FirstCapital respected our timescales, staying in regular contact but without exerting pressure. They assembled a strong and experienced team and rigorously prepared a process that would be supported closely throughout by a senior director," he comments.

Over a period of nine months FirstCapital worked closely with the Salmon team to prepare the business for sale and to establish the objectives and preferred options of the key stakeholders.

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The Opportunity

Mike Pring, Finance Director at Salmon, comments, "FirstCapital's expertise was invaluable in helping the group of stakeholders clearly define what we wanted to achieve." Once the process commenced, FirstCapital contacted key potential buyers for Salmon and attracted high levels of interest from a number of parties, including the world's leading marketing agencies, well-known systems integrators and respected private equity firms.

Chris comments, "The quantity and quality of the offers were outstanding and confirmed our early impressions that FirstCapital had superior access to and understanding of strategic buyers." Critically, dealings with potential acquirers were handled in a way that would allow Chris to step aside immediately post-acquisition in order to pursue other opportunities. "FirstCapital expertly managed the process, ensuring that whilst I was closely involved throughout, discussions were fronted by FirstCapital and other key members of the management team so that I was not bound up in the sale," Chris adds.

Having secured a number of offers, FirstCapital provided detailed analysis and modelling of each bid to illustrate the implications for each stakeholder. This ran the auction process with the three shortlisted bidders to improve the offers and then steered the company through the exclusivity phase with the preferred bidder to a rapid and successful close.

"FirstCapital attracted an excellent pool of potential buyers and explained the different offers in detail for each stakeholder. This simplified discussions and ultimately helped us to choose the right partner," comments Mike.

Throughout the execution phase FirstCapital continued to work on improving the deal, as Chris explains, "FirstCapital not only defused issues that inevitably arose during the sale period but also negotiated a higher valuation during the final critical stages."

The Result

Just six weeks after entering into exclusive discussions, Salmon was acquired by WPP plc, the world leader in marketing communications. The acquisition reflects WPP's strategy of expanding its digital delivery capability and will enable Salmon to further drive growth through access to WPP's greater resources and wider global customer base.

Salmon's management team achieved their objective of maximising the return on investment from their earlier MBO. They will continue to lead the business, which will operate as an independent and stand-alone brand within WPP.

Mike comments, "FirstCapital negotiated on our behalf at the most senior levels in some of the top global agencies. As well as securing a strategic sale, this also avoided us having to directly front tough negotiations with future colleagues."

As founder and major shareholder, Chris achieved his twin objectives of securing the right acquirer and a strategic valuation and is now pursuing a new business venture.

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Chris Harvey - CEO of Salmon