

Profile

MML CAPITAL: SKYROCKETING

MML Capital has been working tirelessly to supercharge its growth and launch the firm into a league of its own.

By Talya Misiri

As the adage goes, you've got to adapt and evolve to stay relevant. And, in the ever growing, competitive asset class that is private equity, international mid-market private equity house MML Capital is doing just this.

In the last 18 months alone, MML has raised two funds, completed five exits, eight new deals, 22 add-ons and has increased its staff headcount by 16 people — a significant feat while operating in a market that has been hit by macro events and uncertainties.

In a recent interview with *Real Deals*, MML's co-heads outlined the business' impressive ambitions for growth. Bal Johal, MML co-CEO said: "Having proved our successful model to investors and managers over several funds, the one thing that Ian and I set out to do over that period was to be the fastest growing firm in the mid-market. Not to be the biggest, but we've got to be the fastest growing [...] everything we've done since has been done with that in mind."

Indeed, with the aforementioned achievements, and with more money invested by the firm than ever before in 2021, MML is certainly on an upward trajectory.

Adapt to grow

A significant achievement for the firm in 2021 was raising two funds totalling over €815m. This comprised €670m for the MML Partnership Capital Fund VII and €145m for its second Irish fund.

The Partnership Capital Fund is MML's longest running strategy, backing B2B businesses with £8m+ EBITDA in the UK, US and Northern Europe. It makes investments of £30m to £70m and partners with management teams to drive transformational growth.

MML's Irish growth capital funds also back B2B businesses in Ireland and Northern Ireland, with an investment size of €5m to €20m.

Despite achieving outsized returns for its investors via these two strategies, MML is not a firm to rest on its laurels. Thus, during the last 18 months where many firms worked on recovering their portfolios from the

impact of the pandemic, MML set out to launch two new strategies - Enterprise and Infrastructure.

The Enterprise Fund, formally launched in Q1 2022, will support B2B businesses with EBITDA of up to £6m, writing cheque sizes of £10m to £25m. Discussing the reason behind this strategy, Johal says: "As the Partnership Capital Fund has grown, it has naturally grown out of the market for smaller tickets between £10m and £25m. So, we're raising a separate fund, to make sure that we don't miss out on that. It's as simple as filling the gap we left behind in the lower mid market."

MML's Infrastructure mandate is also a natural evolution and extension of its existing operations. The strategy is set to launch in Q2 this year and will look to back businesses in the lower to mid-market. Reflecting on the decision to launch this fund, Johal notes: "The idea for us was relatively simple. Firstly, we don't want to move too far from what we have grown the business doing — a combination of equity returns and downside protection. Now, the downside protection piece in particular lends itself to infrastructure - and the kind of deals we're looking at for the Infrastructure Fund come to us anyway. So, we're not having to go looking for those."

"At the moment, we're looking at a handful of opportunities, and about half of them are completely bilateral. With this strategy, we'll be able to convert deals that we would have had to turn down previously."

Diversifying experience

To reflect continued growth ambitions, MML has made significant moves to extend its employee headcount. Last year, the firm grew its team from 32 to 48 members, hiring both junior and senior professionals.

"Recruitment is a major part of what we've been doing over the last year," Wallis says. "It was important for us to grow the team but also make sure we retain the culture that we've built."

With its latest recruitment drive, it has been of utmost importance to bring in industry professionals with track records in PE to help with the firm's development ambitions. Senior hires include: Andrew Honan (formerly Macquarie Group) who will lead the Infrastructure strategy, as well as Karan Darroch and Jessica Hardy (both from Dunedin) who have joined as CFO and investment director, respectively. In addition, Helen Lowe joined as investment director and Sean Quinn joined as managing director of the firm's New York office.

Commenting on the recruits, Wallis says: "The additions to the team span across all of our strategies. Historically, we've had people who have stayed with us for a long time and we've grown together as a team, which we always like because you can really build on the MML DNA and help people evolve in their careers. We brought people in at the junior level, typically out of the corporate finance firms or consulting at the associate analyst level, and then people have grown through the business."

"Over the last 12 months, we have added more senior professionals, and that's particularly helping us with the new strategies. As we deploy and raise these funds, we need people at different levels of experience to help us to hit the ground running."

Outstanding value

With more hands on deck and a number of new strategies, what remains core to MML is the way in which it partners with management teams. It is through a committed partnership that MML is able to deliver significant value for its companies and its investors.

To fulfil its commitment to partnering with businesses, MML has four international offices, which allows the firm to have people on the ground in its chosen investment geographies. In addition to this, MML's portfolio companies and potential businesses are able to benefit from its deep expertise in internationalising companies. "A third of all the deals we've done to date have become international after we've invested. This has been through organic growth and M&A," Johal highlights.

Indeed, having both a European and US presence is significantly attractive to potential businesses as MML can assist to take their offering and services across the pond.

Wallis adds: "It's a meaningful financial commitment to have those international offices from a pure cost perspective. But, in our view, you just can't access the deal flow, and you can't make those local relationships work without that local commitment."

Moreover, MML's recent rebrand highlights the firm's emphasis on having a tailored approach to its investments. From the initial management meeting through to exit, MML works to provide a "personalised, tailored service" to create value for its businesses.

Wallis explains: "We don't subscribe to a template for value creation. We start with the proverbial blank sheet of paper to understand what a business' plan is. We then work on how we are going to double the value of a business - it could be via M&A, it could be via organic growth, it could be internationalisation or it could be better use of data, for example."



We don't subscribe to a template for value creation. We start with the proverbial blank sheet of paper to create a business plan.



Achieving 11x

MML's partnership with Waystone is a testament to the firm's tailored value creation approach. The firm sold Waystone for \$1.3bn earlier this year and is one of its largest and most successful investments to date. The deal delivered an 11x return for MML and returned 100 per cent of the committed capital in MML Fund VI.

Johal explains: "When we met the Waystone management team in New York, we had a shared vision of building on the increasing need for more sophisticated governance, oversight and compliance post the global financial crisis, and extending the business into the growing European market."

During MML's hold, the business delivered 6x EBITDA growth, 40 per cent organic growth, made nine acquisitions and entered seven new geographies.

The business now operates across Luxembourg, Ireland, the UK, Switzerland, Cayman Islands, the US, the Middle East and Asia.

Downside protection

MML continues to skyrocket with its fund growth and value creation ambitions, but this is not without downside protection — an area that is key to the firm's continued success.

Where the industry has faced continued macro headwinds over the last few years, MML's long-running emphasis on downside protection in its investments has been key to keeping LPs on board.

The co-CEOs explain that for the firm, downside protection refers to a combination of factors. These include: recurring revenues from B2B businesses; the industries the firm invests in; doing deals in partnership with management as opposed to doing full buyouts; a sensible and fair price for the asset; and structurally combining the balance sheet and MML's capital together in a way that is comfortable and not stretching the capital structure, among other features.

The firm's commitment to creating significant value for its businesses, but also with the features of downside protection, is something that has sparked investor appetite and interest even more so in recent years. Where investors would previously remain engaged in understanding MML's returns track record and perhaps seemed less enthused to discuss downside protection, that is now changing, Johal notes.

He says: "Suddenly Brexit hits and then the pandemic, and all of a sudden investors were interested in hearing more about the downside protection piece. It became a key

feature for all investors. This also allowed us to become the easy place to go when there's volatility, as well as during times of economic stability."

"If you want private equity returns with some downside protection, we are a natural firm for that," Johal concludes.

Indeed, MML is ready and raring to go with a strong pipeline of deals across its strategies and continued raising efforts for its newer funds this year.

In the next year alone, MML has plans to continue deploying Fund VII, complete three or four more deals, and fundraise for Fund VIII towards the end of the year.

It will also be looking to exit some of its Irish assets, as well as more

deals in the region and acquisitions across its Infrastructure and Enterprise Funds too.

"We can achieve all this because we have an excellent team of like-minded professionals. Right across the business we give room for our people to develop and express themselves in a fast growing environment," concludes Wallis.

The PE house is certainly unphased by macro happenings and the increasing number of players in the industry. Instead, MML is honing in on its tailored value creation proposition; extending its areas of investment; and ensuring that it remains undoubtedly attractive to investors across all areas of the asset class.



For investors looking for private equity returns with some downside protection, we are a natural home for that.



MML co-CEOs Ian Wallis & Bal Johal