

## Buying and Building in the Mid-Market

We spoke with Andy Ross as to how he balances the role of CEO at AIM listed CORETX and that of Operating Partner with MXC Capital, the technology sector investment and advisory business.

### Why and how was CORETX created?

Typically, mid-market companies need to change how they use technology to improve their businesses, but they don't necessarily have the wherewithal. There are also a lot of small service providers addressing the mid-market who struggle to put together a really compelling offer and end up serving only part of the customer requirement. This led MXC, the technology merchant bank where I work as an Operating Partner, to the conclusion that there must be an opportunity to build a business that can provide an end to end service.

We recognised that, going forward, customers, at various points in time, will want managed services to help support their existing infrastructure. They'd want to work with a company that can understand how they're trying to use technology, in terms of enabling their business, and help them work out the journey they need to go on, whether that's moving into hybrid cloud, changing the way they connect their business together, making sure it's secure or protecting information which is becoming more and more of

### *"I'm taking advantage of the MXC model to help us create value in CORETX"*

an asset. Currently, customers in the mid-market typically have to deal with four or five suppliers. We simply felt there was an opportunity to build a business that can manage all of the different pieces of that jigsaw as we recognised that at the moment, there's a very fragmented market and no one player who can do that.

Every service provider starts with an area of specialisation and then they add other capabilities to it. Hence we looked at how we can build a business with the right shape, the right offerings, and the right joining up of



Andy Ross, CEO of CORETX and Operating Partner at MXC Capital

these services. We decided that we needed a managed service capability, so we acquired Selection Services, because it had 400 employees, 500 clients, and strong IT service capabilities. They didn't have a very strong network or cloud offering however, so we looked to add to it, and acquired a network-centric business in C4L. They were quite unique in terms of what they built as a network, because they had taken the view that what customers would want moving forward is the ability to have some IT on premise, some in the private cloud, and some in the public cloud. To make that effective, it all needs to be connected so C4L had started to build out a unique 100Gbps network which connects every major data centre and

hosting environment where a private cloud is likely to be. We're now in the process of connecting it to the three main public clouds. Thus going forward, we own a big "motorway" that goes to all the different locations customers might want to go to, in terms of data centres, and we've got plenty of lanes.

Moving forward we aim to build on our acquisitions by developing excellent cloud transformational capabilities and a cloud solution. We then need to fill this in with offerings in wireless and unified communications. I also think backup and storage, as a service, is going to be a really key offering, because more and more information is being held by companies and they

need to be able to do something with that information and turn it into an asset. We will continue to build out our business so that we can handle all the various pillars of service that clients require. We will do so in a joined-up fashion to position ourselves as ‘CORETX, the route to the cloud for the mid-market’.

### What are the benefits of building a business on the Public Markets versus having Private Equity backing?

I think there are a number of benefits. First, running a business on public markets enforces a certain discipline; it demands sound governance whilst investors expect the business to deliver against the key metrics that a public company has to deliver against. As a public company, you tend to be less leveraged and it can be easier to raise capital. Cash generated by the business can be used to invest for growth rather than pay interest on debt, which is the typical private equity model. From our point of view, being publicly listed gives us the ability to continue to grow the business with particular support from the loyal institutional shareholders. The robustness of running a PLC supports what we’re trying to do in terms of high growth.

### What does it mean to be an Operating Partner and how does this balance with being CEO of CORETX?

If you look at the MXC model, it is unique in how it’s structured and the role taken by the Operating Partners. First we have the merchant bank part of our business. This is a permanent capital vehicle holding the funds and the shares that we have invested in. Then we have the advisory business that does corporate finance and M&A work. Lastly, there are five Operating Partners of whom I am one. We have run businesses in the past and so can bridge the gap between an M&A strategy and actually executing and delivering the value to the shareholders in the businesses, once we’ve started the buy and build process.

I think our Operating Partner model is slightly different to that of private equity firms, where they tend to sit as advisor to the Board of portfolio companies. We are heavily involved in our businesses, but the key skill for me, is to be able to continue to do the M&A work, to support our buy

and build process. In this way, I’ve got one foot in the MXC camp, working with my M&A colleagues, while, at the same time, I’m building CORETX with the management team, who have got the capability to run the business in an effective way. I’m bridging the gap between us being a major investor, whilst also providing an M&A pipeline that supports the growth of the business. I’m also heavily involved in making sure that as a PLC, we deliver against our commitments to our shareholders.

All of this only works if I can create a management team who can execute on the strategy that we’re putting in place through the M&A and the “buy and build” activities. I have a team of people running the business day to day, who have got the capability and are empowered to do the things that the board and the shareholders expect. We still have the governance of a PLC board, so we have a Non-Executive

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chairman and two Non-Executive Directors who greatly help to oversee the business, but also guide us in terms of what we’re trying to do and where we’re trying to take the business in terms of creating value.

I then have a leadership team who are actually full-time employees and are dedicated to making sure they execute on the strategy that we’ve agreed at the board level. Am I full-time CORETX? Yes. Am I still doing work within MXC? Yes, but it’s all focused on creating the value for CORETX. Where do my loyalties lie while I’m employed as the PLC CEO? I’m taking advantage of the MXC model to help us create value in CORETX for our CORETX shareholders. I’m fulfilling the CEO role, in terms of making sure that we deliver against

what we’ve agreed as the strategy and what the institutional shareholders expect us to deliver. I’m able to look at it through both lenses and that gives me a real advantage, because I can leverage the MXC experience, in terms of how we can create value through M&A, and I can look at it through the CORETX lens, which is ‘what do we need to do to run this business and be competitive?’ So, for me, I feel very privileged to have these roles.

### Do you have any advice for aspiring MDs or CEOs?

Three key things. Always be prepared to put your head above the parapet. Be brave enough to take the risks that you need to take to continue in furthering your career. Secondly, continually try and surround yourself with individuals who are better than you are. You may feel threatened by having such people around you but it’s completely the wrong way of looking at things. If you can build a team of people who are much more capable than you, then you’ve got much more chance of the business succeeding. Finally, you absolutely need to empower people. There’s no point in recruiting people who quite clearly have the capability and the experience to make things

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happen, and then start telling them what to do. What you should be doing is setting a strategic framework, setting a direction of travel, and then allowing the people who have got the ability to make the stuff happen that needs to happen, go away and do it. I would say, “Put your head above the parapet and don’t be afraid of taking risks. Surround yourself with great people and let them do their job.”