Adello

MEDIA + TECHN

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Top
20

VISIONARIES

of Media & Tech Industries
Shared Their Ideas on

Digital opportunities 2020

DAVID B HORNE

Moneymaking workout: Fund, Acquire, Consolidate, Exit, Repeat!

NELE DAGEFOERDE

Start-up strength is to ignite the team's fire to go beyond their comfort zone

EDITOR'S NOTE

Dear readers,

Halftime of our Top 20 visionaries' stories. The perfect time to take a closer look at our own development as a company.

David B Horne's guest article serves as the ideal template for this mapping approach. In his view, the key criteria for success are to work like a start-up, but at the same time to generate growth through acquisition and funding like a large corporation. In doing so, it is important to ensure flexibility and agility in action.

We have taken his theses as an opportunity to transfer Adello's development to his model. Not particularly surprising that (with minor deviations) mainly parallels to his theses can be found.

And, of course, an indication that David B Horne's book success is no accident.

Let two stories inspire yourself in this Adello Magazine edition.

Yours,

Nele Dagefoerde
COO Adello

MONEYMAKING WORKOUT: FUND, ACQUIRE, CONSOLIDATE, EXIT, REPEAT!

WRITTEN DAVID B. HORNE

Entrepreneurs see change and challenge as an opportunity to solve meaningful problems and make the world a better place. FACE (Fund, Acquire, Consolidate, Exit) lets them achieve that faster, exponentially.

The first time I raised money and bought an asset, I was 14 years old. Little did I know at the time what a landmark moment in my life that would prove to be. I grew up in Canada, and the Summer Olympics were held in Montreal in 1976. I collected coins, and the Royal Canadian Mint came out with a special commemorative Olympic coin set that cost $300. I had saved up $100 from my job delivering newspapers, and I was complaining to my Dad that I couldn't buy this coin collection because it was $200 more than I had.

My dad had other ideas. He took me to meet his bank manager. I explained to the bank manager that I wanted to buy this coin set, that I had saved up $100 but needed to borrow $200 and could pay back $10 a month from my newspaper job. Out came some forms, which I signed (and Dad countersigned) and presto! I had $300 in the bank. Over the next two years the loan was repaid, and at the age of 16 I had a credit rating. I still have that coin set.

MY "FACE" JOURNEY

Over the first decade of the new millennium, I was CFO of three entrepreneurial businesses that were very different but had one thing in common: they raised capital and bought other companies.

The first was a New York based PR agency that had just expanded into Europe. We had a brief from New York to build an agency network by acquisition, and over the next 2 years we bought 7 agencies in the UK, Belgium and Germany. We were growing by leaps and bounds until our parent company was bought out by Interpublic Group (IPG), one of the giants of the media agency world. We were merged into IPG's Weber Shandwick business, and after a 6-month consolidate process I was shown the door with a big pay cheque.

The second business was a cash shell that had been listed on London's Alternative Investment Market (AIM). Over a period of three years we raised £60 million (CHF 72 million) bought and consolidated seven companies.

Then I got headhunted to join another AIM-listed business, an online auctioneer of used industrial equipment. Over the next 4 years we raised £40 million (CHF 48 million) in debt and equity funding, and in 2008 we took over our largest global competitor in an £18 million (CHF 22 million) deal that created a group of companies operating in 23 countries around the world. A few weeks after we completed the consolidate work, Lehman Brothers went bust and the financial crisis was upon us. Meltdown.
I left at the end of 2010 to launch my own company.

Starting my own company was an eye-opening experience, and over the next 5 years I was the founder or co-founder of several startups. Some fizzled out into nothing. Others are still going, although sadly none of them has lived up to its potential. It was a time of great personal learning. In 2019 I published a book *Add then Multiply – How small businesses can think like big businesses and achieve exponential growth*, where I summarize my entrepreneurial findings and give the recipe for my FACE methodology.

Especially for Adello Magazine I’m going to share some valuable learning that I gained during my 30+ years of business experience.

KEY FACTORS FOR LONG-TERM BUSINESS SURVIVAL AND RAPID FAILURE

Nowadays we see the fast development of “corporate” capitalism. Startups are popping up like mushrooms and big corporates are introducing disruptive business models. Not all of them are successful.

Based on my experience the strongest key factors for long-term survival are:
(i) a strong and balanced executive team; (ii) product-market fit; (iii) willingness to take risks balanced by the discipline to cut losses and move on if it’s not working; and (iv) good luck.

The first three are logical. It is the fourth one that brings in that unknown factor. Sometimes you have the best team, with a great product-market fit and strong risk management, but the timing is wrong. Like the big acquisition we did in 2008 just before Lehman Brothers went bust. That was bad luck. Everything else about that acquisition was spot on, but the timing sucked. You cannot control luck. Work hard on the first three. As pro golfer Gary Player once said: “The more I practice the luckier I get.”

On the other hand, business can go down in one day. In most cases the failure is caused by one thing: running out of cash. Apart from the owner giving up, it is the only reason a business fails. And we will see it more often due to the COVID-19 crisis.

GETTING EARLY STAGE FUNDING IN START-UPS

Funding is all about the appropriateness of the ask. Most founders believe their idea could become the next unicorn, and it always surprises me when founders put a high valuation on an idea that is not yet a product with paying customers. Be realistic. Use friends and family. Seek out investors who specialise in early stage companies. Get traction. Don't be greedy.

Small businesses can think like big businesses and achieve exponential growth.

THINK BIG, ACT SMALL

The trick here is to think like a big business, not to act like one. It doesn't mean that you transform your start-up into a corporate-like company with hierarchical thinking, slow processes and limited innovation. It means you should be open to the idea of raising capital and buying other businesses. Use this tried and tested strategy for fast growth. The challenge is to stay nimble and avoid the trappings of big business: complex processes, politics and the like.

As you grow and necessarily create additional layers to manage the business, it gets harder. I encourage founders to take on the role of defending culture and brand values, and being the outside face of the organisation, rather than trying to run the whole show. Bring in experienced management to support you and allow you to step back from the day-to-day and focus on delivering the vision and the brand.

INVESTING IN CRISIS

I receive many emails asking for recommendations whether it's better to invest or save during the current time of crisis. It really depends on the what kind of investor you are. Patient capital can sit tight, whereas some funds have fixed time horizons and they have to invest. On the other hand, in times of crisis money is valuable and valuations come under pressure. I can imagine Warren Buffett is licking his lips at the prospect of some amazing deals. I love his quote: "It is far better to buy a wonderful company at a fair price than a fair company at a wonderful price."

ABOUT THE AUTHOR

David B. Horne
Author, Entrepreneur, Expert in fundraising

David B Horne is Founder of Add Then Multiply, a consultancy working exclusively with business founders who want to grow fast. David trained as a Chartered Accountant with PWC and his career includes being CFO of two companies listed on London's Alternative Investment Market where he raised more than £100,000,000 in funding and bought or sold more than 20 companies.

David is author of Amazon #1 bestselling book *Add Then Multiply – How small businesses can think like big businesses and achieve exponential growth.* It sets out David's proven FACE methodology - Fund, Acquire, Consolidate, Exit - which supports rapid growth. His book won the Business Self Development category at the Business Book Awards 2020.

He is also the Founder of Funding Focus, an educational business that is raising awareness and supporting women and racial minorities who face a very uneven playing field when trying to raise capital for their businesses.

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