

Case Study: Analytical Reference Laboratory

Investment to Exit, Success for Banksia Capital

Banksia Capital's original investment in 2015 grew into a sale to a \$20B trade player some 5 years later.

Analytical Reference Laboratory (ARL), a Perth based specialist environmental laboratory and service provider, was selected as a fit for Banksia Capital's investment model. For an initial investment of \$7 million, Banksia Capital along with the company's management team and an MBI CEO bought the business from the founding owner.

It was of upmost importance to the vendor who had been part of the business for 25+ years to ensure the brand, staff and culture were maintained. Banksia's 'evolution vs. revolution' approach gave the vendor,

MBO team and customers the confidence that a change of ownership would see the strong culture and excellent service maintained.

During Banksia's ownership several strategic bolt-on acquisitions occurred and revenue and profitability increased significantly.

The sale to Eurofins, a \$20B Market Cap Euronext listed company, provides an example of how Banksia Capital's model can work.

Banksia Capital adds value to its investments through:

Business Development

- Strategic planning
- Leading investees mergers & acquisitions programs
- Organising and managing investees exit planning processes
- Aligning management and shareholder interests

Finance

- Working with long standing relationships at the major banks to negotiate and secure funding packages to enhance working capital or fund bolt-on acquisitions
- Providing further funding or assisting in securing other equity funding on attractive terms

Operations

- Providing access to our network of talented executives, which has often assisted in securing quality, senior employees
- Our wide network of contacts nationally and internationally supports business development

Banksia Capital is a fund manager specialising in making equity investments in private West Australian businesses.

The Strategy

ARL is leading Western Australian specialist environmental laboratory and analytical service provider. In 2015, Banksia Capital along-side management bought out the existing owner with a view to accelerating growth and increasing market share through a strategic BD plan and acquisitions.

Banksia Capital developed along-side the MBO team a planned solution, allowing ARL to emerge as the local market leader.

- In 2015 Banksia committed \$7 million to buy out a majority stake in the business from the founding shareholder.
- Banksia helped set strategies, strengthen management and support a “bolt on” acquisition plan.
- Banksia organised debt funding to support the initial investment, internal expansion and bolt-on acquisitions.
- Banksia led two subsequent acquisitions of strategic competitors, increasing the business’s attractiveness to trade players.
- In 2020, Banksia managed a challenging sale process during the Covid-19 pandemic to a \$20B listed player, achieving top-quartile returns for their investors and the management team that invested along-side them.

Executive Summary

Customer Name

Analytical Reference Laboratory

Industry

Testing, Inspection and Certification Services (TIC)

Business Challenge

- Succession
- Growth / Acquisition Funding
- Grow business development to capture market growth

Business Input Solution

- Sourced highly experienced CEO
- Provided Growth / Acquisition Funding

Business Value

- Increased annuity revenue 50%
- Bolted-on acquisitions increased testing capability 30%
- Grew to #1 WA Lab
- Sold to global listed player

“As a CEO, working with Banksia was one of my top business experiences. They were pragmatic, straight forward and highly professional. Their approach provided me and the team the room required to run the business. When needed, they stepped in to support us in the areas they are expert in. They know what matters! I look forward to finding the next transaction to work with them on.”

David Sneddon, CEO ARL