



FEARGAL WARD

“We’re not into buy here sell there, quick-flip kinda things”



Barry J Whyte

Broadlake’s Pete Smyth kitted out the company’s offices without the aid of a designer, buying secondhand couches and salvaged Croke Park benches – appropriate for a company whose watchword is prudence

Take a stroll through the offices of Pete Smyth’s investment firm, Broadlake – which is tucked in beside Cathal Brugha Barracks, and behind a row of unprepossessing apartments just off the main Rathmines Road in south Dublin – and you’ll find something that looks a little like one of those men’s sheds, where adult men get to set up the treehouse they were never allowed have as kids.

As I follow him around, Smyth waves his hand airily at a second hand couch here, a phrenology skull there, or an old fashioned, beat-up architects’ drawing board, which is upstairs from the pool table, which itself is adjacent to the gym, where some of the salvaged benches from the old, creaky Croke Park have been installed.

“It’s very different for our world; it’s probably more akin to the Googles and Facebooks of this world,” he says. “We’ve kitted it out fairly entrepreneurial.” Meaning that they didn’t hire designers, instead simply hitting the markets to buy the stuff themselves, while keeping the budget fairly tight.

“So we bought this out of the Merchants’ Market [on East Wall Road]” he says, gesturing towards the couch. “We bought this from Irish Liquidators [the store in Tallaght].” He’s referring to a giant, egg-shaped diner booth near the pool table. “And we bought other stuff on Done Deal. We didn’t put a massive big budget into it: we wanted it to be our space.”

It’s all designed to show the difference in how Broadlake does business. Take the conference table, for example. “It’s just a couple of tables we picked up for €100,” Smyth says, but it’s also more than that. “The square table is important to us, in terms of a boardroom. For us, the days of someone sitting at the end of a table and them kind of lording it over everyone, those days are gone. So the approach we’re adopting with our companies is very much collaborative.”

“We used to be based in an old Georgian building in Ballsbridge. To be honest, in my naivety I thought we were moving out of an industrial business to an investment business and we needed to be in a place with china cups.”

“We’re no longer suit-and-tie type folks, and you know what, the companies that we work with tend not to be either.” Instead, Smyth says the firm needs to evolve “in a way that we continue to be relevant”.

That relevance can sometimes feel like a lot of jargon and buzzwords about “backing ambitious entrepreneurs”, “travelling the journey”, disrupting and winning.

But with both Smyth and Broadlake, there’s a secret sauce that’s a lot less sexy than the loft-style offices and man-cave accoutrements. That secret sauce is prudence.

“Businesses need to evolve, and there’s a lot of new ways of doing business, of thinking about things and this, that, and the other,” he says. “But a lot of the old fundamentals still remain the old fundamentals of business, and we should never forget those. I think in the good days people forgot those, in terms of manag-

ing your risks, and not over-stretching yourself, and making sure you really did deliver on those things you said you’d deliver.

“They’re still the pillars of good business, and they haven’t changed.”

First of all, Broadlake is under no pressure to invest. “We can look at two or three opportunities a year, we may only invest in one,” Smyth says.

Secondly, they keep their focus tight. “We don’t want to be working with 15 or 20 companies,” he says. “That’s not the goal, because then the model doesn’t work. You become a guy who just turns up at a board meeting, having had a quick flick through the board pack, and you don’t really understand the business.”

He is virtually allergic to borrowing. “One has got to be cautious of leverage. No matter whether it’s on the corporate side of things, or the personal side of things, people have to live within their means.”

Smyth started his career in 1998 with Allen McGuire and Partners, a Dublin-based investment firm, working on mid-market deals, before spending two years in London with Lehman Brothers, working on “big M&A, transatlantic type stuff”. The following year, 2003, he returned to Dublin to take over from his father-in-law Noel Noonan as chief executive of Noonan Services.

“I had always wanted to get into industry. I had done the advisory piece, the banking piece, I had seen all those worlds,” he says, “but I always thought that we were consulting without having done it.”

“I always thought that it was a bit fake. How can you help people and consult with no real experience in doing it?”

He got plenty of experience in the big chair at Noonan Services at a time of significant growth for the company.

“It was number one in the Irish market place, and really it needed to diversify a little bit and it needed to move into the British market,” he says. “At the time when I joined, we were turning over about €65 million; had about 3,500 staff. When I left, we were turning over about €120 million and 5,500 staff.”

For Smyth, it was five years of valuable real world experience, and the sale of the business also created a hefty war chest of cash between Smyth and the various Noonan family members that has been estimated at roughly €100 million. That war chest is the foundation stone of Broadlake today.

And while the approach has changed, the focus is the same: small to medium enterprises in Ireland.

For some of the companies likely to become targets of Broadlake, however, the improving economic conditions mean that capital is increasingly easy to come by.

He concedes that investment firms like Broadlake need to offer something else along with cash.

“Broadlake, for me, was trying to combine investment in SMEs with providing them with real advice and help in terms of growing them,” he says. “This is our key differentiator. I’ve always viewed the investment world, if you’re investing in SMEs, you need to be able to give more

than capital.” “You need to be able to give them some advice and some help, because it’s a tough old journey and sometimes they need it,” he says. “And from our perspective, that’s free advice. We don’t invest in a company and then charge for board seats or management fees or consultancy fees.”

In the past few years Broadlake has invested in five very different businesses: tanning company Vita Liberata, health food business Dee’s Whole Foods, The Handmade Soap Company, watercooler and office services business 2468 and, most recently, Northern Ireland-based conveyor system company Conveyortek.

The investments have cost Broadlake around €25 million so far, and Smyth expects that they’ll spend another €25 million in the next two years.

Next weekend, Smyth will be in Cork at the Entrepreneur Experience, a CorkBIC-backed event that pairs 24 up-and-coming entrepreneurs with seasoned counterparts, who can coach them and take them through the pitfalls to avoid in setting up and running their own businesses. He is running the event this year, and will act as one of the mentors.

When the event started, five years ago, Ireland was in the midst of a deep recession. Things are improving, but while coming out of a recession is likely to lift a lot of boats in the Irish economy, Smyth is somewhat concerned that all the lessons of the crash may not have been learned.

“We’re not interested in businesses whose success is determined by GDP growth rates. We’re interested in businesses that can either create bigger markets or take market share. So whether GDP growth is worth half a per cent or 3 per cent, these are businesses that have the potential to grow far far in excess of that.”

It’s a subject matter Smyth knows well, having studied pure economics in college. The influence of that educational foundation on Broadlake is subtle but noticeable.

“There’s not a huge amount I use of that day-to-day, but it made me quite analytical in the way I think. You have to be aware [of the macro-economic situation]. Not to say you’re constrained by it, or that it determines your destiny – it doesn’t – but if you’re not aware of it can hurt you badly.”

To keep their togs on as the country’s economic fortunes rise, SMEs need to be cautious, Smyth says. That goes double if they’re looking to expand internationally.

“There’s foreign exchange, the political situation in some countries, regulation... it’s as simple as just taking your widget and exporting it. People need to be far more aware in building their plans – a lot of building a business is risk management and not taking risks that are too high for the business.”

It’s a critical point, since he’s acutely aware that such crises may well be more frequent now than before.

“Companies need to manage their risk profile so they can protect themselves against shocks. Maybe a lot of people didn’t see 2008 coming, but the reality is we live in a world where the shocks are becoming closer. It’s no longer the case that shocks occur every 30 years. We live in a world with cycles, and anyone taking a ten-year view on their business, they’ve got to factor that in.”

That goes for investment firms as well as SMEs. Since the recession, at least two high profile competitors of Smyth’s – Lioncourt Capital and the Newcourt Group – have hit substantial difficulties, having expanded quickly in the good times.

Smyth is keenly aware of this, and while the tour of his offices is entertaining, no amount of phrenology skulls and pool tables can distract from his clear focus on the need to do cold, hard research before deploying any capital.

CV: Pete Smyth
Role: chief executive, Broadlake
Age: 40
Lives: Dublin
Hobbies: coaching kids GAA and rugby, cycling, gym and sailing
Favourite book: “It’s a close call between two of my bedtime story stalwarts – The Gruffalo and The Snail And The Whale, both by Julia Donaldson.”
Dislikes: quizzes. (“What’ve you got against table quizzes?” “Everything!”)

“Let’s have no qualms about it. In here might feel new world, might look and feel high-risk [and] start-uppy, but there’s nothing about that in what we do,” he says. “We love what we do, but it’s a serious business in terms of supporting those brands.”

“Financial returns are important to people and there are plenty of businesses we could invest in and make a financial return out of but the journey might be miserable,” he says.

“We’re not into short term opportunistic, arbitrage trades: buy-here-sell-there, quick-flip kinda things. That’s why we spend more time getting to know business and more time helping them develop.”

Not that he doesn’t enjoy the process, though. “I set this up because it’s what I love doing. And I’m in a lucky position

where I can do what I love doing and it can do well financially and every day is great. It’s that old expression that if you find something you love doing then you’ll never work a day in your life. And it’s a bit corny, but I do genuinely love what I do.”

Because, I suggest, presumably with that pile of cash from the sale of the Noonan business, Smyth does not have to be here – or, indeed working – at all. It’s the first time he’s paused all day, and he gives a small chuckle.

“Well, no.”



See MoneyPlus, pages 8 and 9, for more on the Entrepreneur Experience

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