

Auto supplier eyes 50 more years of growth

Sertec supplies body shell components to automotive firms such as Jaguar Land Rover and Ford. The Coleshill-based manufacturer turns 50 this year. Chief executive **Grant Adams** and BGF investor **Ian Downing** explain how two investments are now spearheading another half century of growth.



Ian Downing, of BGF, left, and Sertec group chief executive officer Grant Adams

Sertec Group CEO, Grant Adams, says...

Our customers include Jaguar Land Rover, Ford, Scania, and Adient – one of the biggest tier one suppliers in the world.

We reached a position where we received approaches from trade buyers, some here in the UK but also some over in the US, who wanted to acquire the whole company.

Private equity houses also showed some interest.

We actually came very close to a deal with an American outfit which I felt fitted well with the culture of Sertec.

They appeared to be a good home in terms of what they did and what we did but, when it came down to it, they were unable to get the deal over the line.

So we looked around and discovered that BGF was the right fit for us. In the beginning, one of the important things we wanted to identify was to find out whether they had the appetite for further investment.

For us, it was all about the long-term growth of the business – and the first deal last year allowed us to buy more equipment and machinery, as well as exit the remaining stake of the original founders, the Mosedale family, who were ready to take a step back.

Within two months of that original deal we approached BGF about taking a site in Hams Hall to centralise our distribution operations in the group.

In addition, we wanted to enhance our product portfolio and customer base and increase our manufacturing footprint.

We agreed a deal, with BGF's support, to buy Wild Automotive which enabled us to do all three.

That was the biggest investment

Sertec ever made in any acquisition – we have made nine over the years.

We would not have been able to do that without the investment from BGF.

As a result of the acquisition, we gained four sites in Witton, Redditch, Germany and Hungary where we have put in £7 million worth of brand new presses.

In terms of Europe, between where we have bases in Hungary and Germany, there is Slovakia and Austria.

Jaguar Land Rover is doing a lot of investment in those areas, building a factory in Slovakia, and we can see it having another base like its one in Solihull there.

That's a massive growth opportunity for us but, on top of that, we need to grow our customer base and increase our product range.

We have a target wish list of customers that we don't currently supply, and a list of those that we do supply but with which we would like to increase our market share.

So that is what we are gearing up the business to do, hence why we bought out Wild Automotive and now the resource coming in from outside.

Wild Automotive is very prevalent in wire forming, which you find in car seats, and also supplies hinges and washers and other components which we don't.

What we have found since the acquisition is that the cross-selling opportunities have been incredible.

The beauty of the facility in Hungary, and the land it sits on, is that we could replicate our Coleshill facility there.

I don't see us branching out of automotive into other fields as there is just too much to go at in this sector.

Our industry is very capital

intensive and we would not have been able to do what we have done without the support from BGF.

BGF Investor, Ian Downing says...

Our relationship with Sertec goes back three or four years which was well ahead of any investment happening.

One of BGF's owners, Lloyds Bank, has been Sertec's bank for a long time and it was an introduction via its relationship manager which brought us into contact.

We met up in August 2015 which is when we really got into discussions. Sertec was saying it was ready to speak with us as it had an investment it wanted to make. We spent the next few months talking about how that might shape up before it eventually completed the deal the following February.

We made a £10 million investment to support a couple of things.

One enabled ongoing expenditure into the business for items, such as new facilities and machinery, and the second related to the Mosedale family.

The business had grown from a turnover of under £50 million to £200 million by the time we made that first investment, which is huge over a relatively short space of time – around five years.

BGF's subsequent investment into Sertec of £5 million, started almost before the ink had dried on that first deal – and included the opportunity to buy Wild Automotive, which was a substantial business in its own right.

Sertec had been having informal discussions with them so, as soon as we had completed that first investment, we went straight into discussions about providing some further funding.

Wild Automotive's bases in

Hungary and Germany represented a key step for Sertec, enabling them to move into Europe.

As a business we were very keen to support the automotive sector after seeing lots of success in this industry over the past decade following a long and difficult period.

It has come through the bottom of the trough and it is now an attractive sector again.

BGF had been seeking interesting businesses in the automotive sector in which we could invest.

The history of the automotive sector is all about using steel.

Sertec has a key capability in aluminium structures, and we are seeing the process of cars becoming lighter and more fuel efficient, particularly electric vehicles.

Taking steel out and using aluminium instead helps to make them lighter and improves the range.

Sertec has some real skills in this field, particularly as a result of its close working relationship with Jaguar Land Rover.

Sertec clearly has scale, is an important strategic supplier to its customers, has a great management team and culture and has some really interesting plans about how it is going to develop its future.

We worked really hard to find a way to work together with the Sertec team and quickly formed a good working relationship.

BGF is the most active investor in small and mid-sized businesses in the UK and Ireland. An established and independent company, we have £2.5bn to support a range of growing companies – early stage, growth stage and quoted – across every region and sector of the economy.