

## Exporting success

Extec's mobile rock-crushing equipment is renowned for its technical excellence. Following 3i's investment, the award-winning company grew international sales to 80% of turnover and tripled its value in four years.

### Building a global presence

Quarrying and demolition activity produces large pieces of rock that need to be processed on-site. Firstly they're crushed into smaller rocks and particles. Then they're screened and graded by size, ready to be despatched for a wide range of uses, mainly in the construction industry.

In 1987, Pat Douglas spotted the growing market demand for smaller, mobile crushing and screening equipment, for use in quarries and demolition sites where large, static machines were either impractical or uneconomic.

Over the next fifteen years, the company he founded, Extec, became known for its

comprehensive product range, technological edge and customer-focused approach. As well as achieving a leading position in the UK, Extec developed a strong on-the-ground presence in Germany, the US and Australia, and a wide-reaching global distribution network. As a result, the company's annual sales headed towards €100m.

### Identifying opportunities for change

By 2002, Pat Douglas was focused on protecting the future of the business he'd founded. He identified 3i as an active investor who could help take Extec to the next stage and sold his interests in a deal that valued the business at €83m.

Ken Beaty, a partner in 3i Buyouts, led the investment discussions and subsequently joined the board of Extec. He recalls the company's position at the time 3i invested: "There were a lot of positive factors. Pat Douglas hired excellent people, who were strong on technical know-how and customer relations. And the market outlook was favourable because the construction industry was at the start of an upturn.

At the same time, there were areas where we saw clear opportunities to add value: by bringing fresh talent into the company, introducing new service offerings, and making the most of Extec's international presence."



“3i were extremely active in helping the company grow – generating ideas for new revenue streams and introducing us to valuable contacts around the world.”

Alan Fletcher, former Executive Chairman, Extec

#### Introducing fresh talent

To help the company transition from a family-run business to a significant international operator, 3i worked with the management team to hire additional expertise, including the company's first finance director and a new executive chairman, Alan Fletcher – well known for his leadership in the engineering sector.

Traditionally, a number of key activities in Extec, including research and development and sales, had been undertaken by very small teams, often working under the direct supervision of the CEO. These activities were strengthened by allocating extra resources and introducing specialist management.

With new talent on board, Extec implemented revised policies and processes that reflected its growing size: product development became more systematic; contracts with employees and distributors were standardised; and financial information became more sophisticated, giving managers clearer insights into product profitability.

#### Creating new revenue streams

Alongside the focus on people and processes, Extec targeted efficiency and growth. As Alan Fletcher reflects: “3i were extremely active in helping the company grow – generating ideas for new revenue streams and introducing us to valuable contacts around the world.

They worked with us to create a spare parts business that will add significantly to the bottom line. They also played an integral role in expanding the international business, taking it to 80% of turnover. With 3i's help, we entered new markets, such as Russia and India, and scaled up our presence in existing markets, such as the US. Towards the end of 2006, Extec became the number two player in North America.”

To support this rapid growth, Extec identified new ways to manage production costs, including the use of lower-cost centres in Asia for manufacturing components.

#### Writing the next chapter

The focus on growth helped Extec's turnover almost double between 2003 and 2006, and saw the workforce increase to more than 430. Extec's profits rose substantially, despite the steep increases in steel and fuel prices. And the company's outstanding export success helped it to win Queen's Award for Enterprise in 2005 and 2007.

After four years of successful growth with 3i, it was time for Extec to write the next chapter in its story under new ownership. In May 2007, the company was acquired by the mining and construction division of Swedish giant Sandvik AB, in a deal that valued Extec at €225m – almost three times its worth when 3i invested. For 3i, the successful partnership earned a money multiple of 5.3x and an IRR of 45%.

For more information about Extec, visit: [www.extecscreens.com](http://www.extecscreens.com)



THE QUEEN'S AWARD  
FOR ENTERPRISE  
INTERNATIONAL TRADE 2005 & 2007

[www.3i.com](http://www.3i.com)