



## Christian Malek

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### **How did the idea of establishing Novastone Capital Advisors come about?**

My personal experience has driven my mission of assisting family-owned businesses in succession planning. My grandfather, an entrepreneur in Switzerland, passed away while still running his business, leaving our family with numerous challenges to navigate. This scenario is all too common, where business owners need more successors within the family and are unable to retire because they are real entrepreneurs who want their legacy

to be continued. Witnessing these struggles firsthand, combined with my background as an investment banker specializing in SMEs and succession issues, inspired me to launch a program to address this pressing need.

My introduction to the SF model began in 2011 when we backed a search fund. This asset class was particularly intriguing, and our investments were diversified through a fund. In 2016, I encountered a talented entrepreneur in his mid-40s frustrated by his father's reluctance to retire and hand over the reins.

He contemplated a “self-funded” search, a risky and solitary endeavor. Recognizing the potential pitfalls, we supported him, laying the groundwork for Novastone Capital Advisors (NCA).

### **What does the NCA program entail, and what kind of companies are you looking to acquire?**

The NCA program is designed to address succession challenges by connecting business owners with potential acquirers who will sustain and grow their legacy. With thousands of companies facing succession issues worldwide, we

strive to provide a scalable solution. Headquartered in Switzerland, we operate both, in Europe and North America through our ETA program. We identify talented individuals, provide access to capital, and fully support them throughout the search and acquisition phase with know-how and experience. Our comprehensive support includes training with renowned professors, tools, and a dedicated team of professionals to guide them through the transition to owner and CEO. But our support doesn't end with an acquisition, our Portfolio Management division remains a valuable sparring partner for the CEO's during the holding period and value creation phase.

We target SMEs with an enterprise value ranging from €10M to €50M, typically structuring acquisitions with a 50% equity / 50% debt mix. For these businesses, deciding to sell is often a complex process. Many prefer not to engage with private equity firms because such transactions can feel solely financial, requiring the owner to remain involved in the company for several years and potentially transition into an employee role within the fund. Our ETA program offers these owners a succession premium, allowing them to retire and entrust their company to capable hands.

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Our searchers possess expertise across various industries, with many having launched their businesses but now seeking larger opportunities for personal reasons. Over the years, we've developed NCA into a team of over 40 professionals who provide comprehensive support throughout the search, acquisition, and value-creation processes. This includes

assistance in M&A, legal matters, accessing digital data and databases, market insights, and negotiation with sellers and banks. By creating a unique ecosystem with an extensive network, we significantly reduce the likelihood of failure finding the right company for each entrepreneur. We offer far more than just access to capital and investors.

#### **For the searcher, what are their obligations and incentives to work with NCA?**

Our searchers commit to purchasing several units of their SF, typically around €60,000, and bringing in 1 to 3 potential investors from their network to support the case alongside NCA and NCA investors. In terms of incentives, we operate as partners in the acquisition. NCA receives up to 10% of the acquired business's stakes, with the searcher holding up to 20% stake, whereas half of those stakes vest at the time of acquisition and the other half at exit based on the IIR achieved for all stakeholders, aligning their interests with long-term growth and profitability.

#### **Tell us a little bit more about your figures and achievements.**

Let's delve further into our accomplishments and numbers. We currently support 40 active searchers, with a balanced split between North American (USA & Canada) and European searchers. We focus on several countries: France, Spain, the UK, Poland, Switzerland, Hungary, Italy, and Portugal. In comparison, Germany presents challenges; its immense potential drives our efforts to identify individuals with the entrepreneurial spirit needed to execute our first acquisition in this market.

We've completed 16 acquisitions, 5 in the USA/Canada and 11 in Europe. Although our North American operations began just two years ago, we aim to balance this split going forward. Our portfolio includes companies such as IAR Group, Green Logistics, ForMeds, Forza Doors, Seyses, Chapter One Sportswear, STL Communications, Water Runner,

Foo Seng, Adéx, Stockton Truss, Stewards of Recovery, etc.

We onboard between 15 to 20 individuals annually by conducting 3 to 4 assessment center cycles per year. This year, we anticipate closing at least a dozen additional deals, with around half of them in North America and two in Italy soon. We also envision growth of up to 20 acquisitions annually moving forward.

#### **Recently, Fidel García-Guzmán and Pablo Penichet launched a fund called Iberia NCA NFI, aiming to raise €25M to co-invest with NCA. Tell us more about this agreement.**

This strategic partnership involves a Spanish fund allocating 100% of its resources toward participating in over 25 acquisitions of North American and European SMEs, leveraging our program. We've also established similar agreements with a US counterpart and two others in the pipeline. These collaborations enable us to ensure approximately 40-50% of the equity required for future acquisitions. However, we remain closely engaged with our traditional partners, including private investors, family offices, and institutional funds, as we value their professional input and insights into potential targets.

#### **What are your plans for the future?**

We aim to solidify our position as the premier ETA program covering European and North American markets. We aim to attract 25 active searchers annually, close 20 acquisitions, and maintain an 80% success rate. We will continue our hands-on approach, enhancing our post-acquisition support and actively advising on financial matters. Ultimately, we are committed to addressing succession challenges and empowering talented managers to become proficient CEOs, driving long-term success for businesses and stakeholders.

