

Interview Shortlisted Company – European Small and Mid-Cap Awards 2021

Name of the company
M+ Group, full name Meritus ulaganja d.d.
What are the key qualities your company has?
The M+ Group is the leading business process and technology outsourcing (BPTO) provider in Southeast Europe and Central Asia. We are the largest and fastest-growing company in both regions, employing more than 8,000 people. Our core philosophy of acquisition is to pursue companies with knowledge and resources that will act in synergy with the rest of our group, and this has been proven as a successful model.
What prompted your company to go public?
After a modest start as a small company providing call centre services, the company was acquired by more ambitious new owners with a developed long-term strategy for success. The growth in the number of employees, as well as the acquisition of new technologies to transition into higher value BPO services, increased the need for capital, not to mention the desire to boost growth through targeted acquisitions of attractive smaller companies. Going public was a logical step on that road, since the need for capital kept rising, and going public always seemed more attractive than piling on debt.
What were the main challenges along the road to becoming public?
The biggest challenge was earning the trust of the institutional investors which include diverse investment funds, all the Croatian second pillar mandatory private pension funds, as well as some of the voluntary ones. Thankfully, our business results and strategy were convincing, and our accounting practices were transparent and boosted by our core team's previous experience in auditing. It was only during our secondary public offering that we expanded to individual private investors, and even then, the institutional ones made up for the bulk of the new stock.
What have been the key benefits (for your company) of going public?
The key benefit was the availability of capital, which we used to pursue and acquire promising small and midsize companies with valuable assets such as knowledge, quality employees or proprietary software solutions. Thanks to this strategy we were able to improve our business and offer our clients better and more reliable service. In August 2021 we finished the secondary public offering (SPO) on Zagreb Stock Exchange where valuation increased from 260 HRK per share, which was the price at the initial public offering (IPO) in August 2019 when we went public, to 850 HRK per share in August 2021. In a two-year period, the value of the share increased 3.3 times.
After going public, what reactions have you had from investors, customers, employees, etc.?

Aside from the availability of capital, which allowed us to pursue our growth strategy and keep debt at a very low level, the company gained wider recognition and lots of media presence. This reputational boost definitely helped with acquiring new companies, employees and clients. Going public also helped us foster cooperation with top regional investment funds such as Mid Europa Partners, our partner and co-owner in the Turkish BPO provider CMC.

What experience/advice would you want to share with companies that are thinking of going public?

Do your homework, be prepared to answer all kinds of questions and don't hurry if you are not completely ready. Your relations with institutional investors are crucial and try to develop them and earn their trust.

Where do you see yourselves in 5 years?

We see ourselves as the regional BPTO leader and champion of nearshoring, providing sophisticated, technology-driven, services to a wide variety of global players, working from the rim of Europe to serve the core business and industrial heartlands with competitive prices and top results for our clients.

Have you had any assistance from the European Union, e.g., funding projects, etc.

No. We did get a small value government grant in Hungary related to IT development.

If you had 3 wishes: What should the EU be doing to encourage more SMEs to go public? What should the EU be doing to provide ongoing support for listed companies?

Since the pandemic related recapitalization of SMEs in the EU isn't going anywhere, and Europe's global competitors will continue funding their own SMEs, the EU should do more to transform the support it is providing to SMEs from debt-based programs to equity and quasi-equity supported ones. Another important point to make is, European SMEs that do go public often have trouble attracting enough investors. A combination of tax incentives for investors and funds composed from mixed venture capital and EU funding, with an obligation to invest into SMEs could be some of the solutions for the problem.