Ambition With A Long-Term View

Kevin O'Loughlin's plan for Nostra Technologies goes as far as 2041. With four acquisitions already under his belt, the ambitious growth strategy is well under way, writes **Nick Mulcahy**

If you want to get ahead in business, you need a plan. What's slightly unusual about Kevin O'Loughlin is that his business plan stretches to 25 years, which is a bit longer than the norm. He decided on it in 2016, when he was 36 years old, so time is on his side. And as he will be six or seven years off qualifying for the State Pension in 2041, it's possible the plan may be extended in the coming decades.

O'Loughlin's business is Nostra Technologies, which manages IT services for customers. It's a crowded market with much larger players than Nostra and the entrepreneur is confident his plan will grow Nostra into the premier league. O'Loughlin is not in the least hubristic about his ambition for Nostra. Speaking from his company's bespoke office in Park West Business Park in Dublin, he lays out the growth strategy in a matter-of-fact manner.

The gameplan isn't novel: bolt-on acquisitions that bring in new customers who can avail of what Nostra has to offer. Four acquisitions in the past five years have increased headcount to 200 people, and it's that heft that puts Nostra on the radar for corporates. When Nostra started out as an MSP in 2007, it was a two-men-and-a-dog operation, something O'Loughlin believes is no longer possible.

O'Loughlin grew up in the rural Laois village of Rosenallis and there's an entrepreneurial streak in his genes. His father Tom ran a pub in the village as well as owning a nearby meat factory. Kevin recalls making sandwiches for the crowd that

Kevin O'Loughlin: everything in the cloud

thronged the pub during Italia 90. As a teenager he helped his brother Keith with some tech work at the meat-processing plant and that pointed O'Loughlin in the direction of a computer degree at DCU, which he hated. Before he could pivot into a management science course at Trinity, O'Loughlin was hired by Typetec, complete with company car and mobile phone — a bigger perk at the time than the car.

Elder brother Barry joined Kevin at the inception of Nostra. Barry was 29 and Kevin was 26, and the young lads ran into financial trouble within a few years. So much so that when an outside investor bailed them out, Barry had to depart the company as his finance function was rationalised.

Now the brothers are back in tandem at Nostra. In fact, Kevin says Nostra's recent growth spurt was only made possible when Barry rejoined the firm as Chief Operating Officer in 2015. At that time, Kevin O'Loughlin had concluded that Nostra was going nowhere unless he could step back from day-to-day firefighting, maintain constant contact with customers, devise a growth plan, and implement it.

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Kevin O'Loughlin persuaded his brother Barry (right) to return to Nostra and run the company

What prompted you to devise a 25-year business plan?
In 2015 our turnover was c.€4m. We were nine years into the business, and I looked at my options. Lots of people say you should build it out and then sell, but I know people who sold ventures in their early forties and lost what defined them. I really enjoy what I do, so I decided to plan for the long-term.

I like spending time with customers I'm good at helping customers to solve problems. However, 90% of my time was taken up with managing payroll and cashflow and things like that. I was doing all the things I didn't like doing and while we were making a profit, our balance sheet was stretched.

I decided I had to make a change. One of the original founders of our business was my brother, Barry, who was running a media agency. I told Barry I needed him to come back. He's an expert at all the things I hate doing — we are polar opposites, completely Yin and Yang.

Barry came back in as a shareholder in the company and took on all the functions I didn't enjoy. When I look at the changes I've made recently, the key piece was understanding I wasn't the best person for certain functions. Maybe we do these things for ego, in the sense that 'I'm the boss and I'm in charge, and I'm going to manage everything'.

Was your brother the only person who could take on the operations role? What about people already in the company, or executives you knew in the sector?
It was less about Barry being my brother and more about him being somebody I had worked with and with whom I had a strong relationship. In the period when he wasn't in Nostra, he was a great sounding board when we had challenges. Barry and I had worked together for several years in the early days of Nostra, and he understood the business. We know each other's strengths and weaknesses and we accept them. He allowed me to do what I wanted to do, and I allowed him to do what he wanted to do. Two years ago, Barry took on the role of managing director.

> *'We know each other's strengths and weaknesses and we accept them'*

With more of your time freed up, what did you do?
I started spending most of my time with customers and working with the sales team. I also travelled around the world, finding out about the latest technologies and what companies like us were doing in other territories. That provided me with good insight about cloud computing, and we started pushing it a lot harder with our customers.

The second piece was lining up an acquisition strategy. Bringing in Barry required the company to grow quickly to cover the additional cost of an extra senior person. Our first buy was Tech Department in 2016, followed by Emit in 2018. We learned so much from those acquisitions.

For example, there was one customer who has paying €500 a month for back-up monitoring. Now we provide that company with multiple resources daily. We work on some of their biggest projects, and on an annualised basis we would invoice them now more than the entire cost of the acquisition. We found that because we can now offer such a wide range of services, when we engage with acquired customers, we can add value for them while increasing our revenue.

How do you find target companies to acquire?
With the Tech Department, we hired a salesperson who used to work there, and that led me to engaging with the company owner. We stayed in touch and met up every six months or so for a chat. In 2016 he asked were we interested in buying, because he wanted to exit. We are always on the lookout for acquisitions and we are approached quite a bit. We initiated the two most recent deals, Brandon Global and Enclave. Such approaches happen when we're tipped off that a company might be for sale or would be a good fit for us.

What have you learned about the pitfalls of takeovers and getting them right?
With our first buy, we didn't fully appreciate that an acquisition creates

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Kevin O'Loughlin's expansion drive at Nostra Technologies saw company liabilities increase from €5.1m to €8.4m through 2020

huge uncertainty for team members. Now I put a lot of effort into making sure the people who work in the company being acquired are reassured on day one. In my view, that's the most important thing you must do. Secondly, you must meet all your new customers in the first two weeks after the change in ownership.

I've also learned that with deals you must back your own judgment. On occasion I've had professional advisers encouraging me to walk away from a transaction because due diligence uncovers absence of signed contracts with some of the customers. I look at the people who run the business, how well they manage it and customer retention. Our advisors are excellent, but we make the decision and we must be happy with that decision.

How has Nostra funded its recent acquisitions?

Finance is easy to source, but the wrong money is easier to find than the right money. Borrowing from a bank is not straightforward, and you have to be patient. It is easier to raise very expensive money and, in my view, that type of finance carries high risk. I'm talking about mezzanine debt where the interest rate charged is 10%, 12% or 14%. Borrowers who breach the loan covenants can lose their business.

SASKO LAZAROV/PHOTOCALL

I think that's the bit that some business owners don't fully understand.

Our own borrowings are at a blended rate of 4.2% per annum. If the lending rate is too high, you end up working just to pay the interest. That's fine if you want to build for the short-term and exit. However, when you have a long-term strategy to stay in the company, to run it, and to build it as big as we can, bank debt and traditional finance is going to be the only model.

Our rule is that we won't acquire a company that is larger than 25% of the size of Nostra in terms of turnover and headcount. We are not going to be acquiring a company that's three times our size or half our size, because large transactions entail much greater risk. We want to be here in the long term.

Consolidation is a trend across IT support and managed services. What is next on Nostra's agenda?

We expect our next acquisition will be in the broadband and phone systems space, and video conferencing is also of interest to us. Accounting and ERP solutions are also areas we want to be involved with in the future. We want to be able to offer the full suite to customers, with everything in the cloud. Nostra has around 200 employees and we don't own a single physical or virtual server, which means everyone can work from anywhere.

Our ambition is hefty. In five years, we'll be probably close to €100m in revenue and our objective is to be not just one of the largest IT companies in Ireland, but to be one of the biggest companies in Ireland.