

MAKING THE BIG DECISIONS

**Interview with
MAX TOTI
MANAGING DIRECTOR
CAPTEC**



WHAT'S THE OWNER of a company to do when the business has £12million tucked away under the corporate mattress to use to make acquisitions but it's just not enough for the kind of global expansion he has in mind? The answer, says Max Toti, managing director of specialist computer manufacturer Captec is to go public.

"I have risked my own capital for thirty years," explains the electronics engineer who founded the Queen's Award for Enterprise winning business in 1984. "The next step will require SEM - someone else's money."

So he plans to groom the business for an IPO in around 2018. "At the moment all capital in the business is my own," he says. "To really scale up to the next dimension I want to take this from a strong national brand to an international brand through acquisitions."

He hopes for a market capitalisation of £100million. "I don't want a little IPO," says Toti. "I know companies which have done £5million to £10million IPOs. I could do that now by listing on AIM but I'm not interested. I want to raise £25million. If I want to get really big I need more capital. I want something of a decent size and to make it worthwhile for investors."

Toti agrees it's an ambitious target. "I've always been ambitious in everything I do," he says. "It's normal for me."

He says he doesn't do it for the money but the achievement. "I'm lucky to have made my job from something I'm passionate about. I get really excited about what we do and the problems we can solve. I'm not trying to show off but I have money; I don't need Ferraris and boats and the other toys associated with entrepreneurs. What does it for me is the excitement and the reason I want an IPO is so that the excitement to continue to another level."

Captec take technology, up-shift it, ruggedise it, and repackage it for applications that require computing in critical applications such as military equipment, satellites and medical applications. Their computers are used in the London Underground, in oncology systems, on oil rigs and submarines.

Citing automatic number plate recognition technology and biometrics, which have applications in things like speed cameras, supermarkets, airports, and passport control, Toti says:

"Technology allows us to do more powerful things each year. Part of our strategic review planning is looking at where technology could take us. Autonomous vehicles will be big business - these cars and drones will be bristling with computers - then there's big data, analytics..."

Competitors tend to be owner-managed businesses with turnover in the low single figure millions. "My ambition level is much higher; our turnover is nearly £20million," says Toti. "The order of magnitude is different."

The ability to access capital markets through a listing will fuel both organic and acquisition growth, and Toti has his eye on targets companies in Europe, Asia, and the US. Captec already have interests in Canada.

There are high-tech hot-spots in different countries. "For example, the UK is very good at pharmaceuticals but weak in medical equipment technology, an area in which Sweden is 'white hot'," suggests Toti. "Scandinavia is also a hotbed for wearable technology and biometrics."

And the Internet of Things has exciting potential, he says. "At its infancy, a lot of people said the internet would never catch on; even Microsoft didn't 'get' the internet when it started. Amazon and Google did and look where they are now. The companies that embraced it early on are the technology giants of today and it will be the same with the Internet of Things."

Another exciting area is autonomous vehicles. "In ten years tops, if you have an Uber app you will be calling an

autonomous vehicle," Toti predicts. "UPS will deliver your goods with a van, not with a driver. From the UPS van in our neighbourhood, drones will be delivering parcels to our doorsteps. There's talk that Apple will come out with a car. It's all about the technology with connected vehicles, so we're making a big investment in that area and I need a lot more capital to buy companies that can exploit the potential of the emerging technology."

Toti has already done one acquisition, having bought the assets of specialist maker of in-vehicle mobile tablet technology. They were loss-making and had gone into liquidation but the product was fundamentally sound and there was interest in it. Toti "reglued" the business together, rebuilt the technology and took it into the gaming sector. He has since had orders from several bingo companies in the UK and is now pursuing business in the US and Canada.

"I never had any real certainty that it would work," he admits. "I knew I was buying a broken business. The finance part was easy and so was the supply chain once suppliers could see the business was well funded and backed with strong management. It was the people that was the difficult bit. They were broken, demoralised, disillusioned." The biggest challenge for Captec is a "desperate" skill shortage. Toti says he is "fortunate" to have engineers from

eastern Europe. "If we didn't have them we couldn't do what we do," he says candidly.

"Engineers from countries like Poland or Romania, for example, have a very strong work ethic and they come with expectations that they will deliver value." He criticises the government for attracting foreign students but then not giving them working visas. "Ninety per cent of Ph.D and MSc students at Southampton University for example are foreign. We're educating the brightest from overseas then saying go away and take your skills to another country. We need a more logical method of ensuring the engineering skills we need in the UK are met. We're in an information age and China and India are already becoming knowledge economies, so this is a limiting factor to growth in the UK."

Captec does have apprentices and graduate trainees among its 100 people, but Toti questions the attitude of the millennial generation. He blames corporates for "fuelling their distorted reality" and damaging local economies by "hiring lots of graduates at a time, paying them too much money, only to later let many of them go, so they enter the jobs market with incredible expectations."

He recalls as a fourteen-year-old having to work to pay his father half of the cost of a programmable calculator that he had set his heart on – and which started

his interest in electronics. "I mowed lawns, I washed cars. It took me a year-and-a-half of hard work to get that calculator," says Toti. "It's different now. It's never 'I would like this', it's 'I need this.'"

However, he concedes that millennials might well have skills that society has not yet learned how to value. "They are more creative, able and willing to disrupt the game," he observes. "You could say that's not a bad thing; you need fresh thinking."

For example he cites the emergence of companies like Uber and Air B&B. "Someone had to come up with the wacky idea that you don't need a taxi to be a taxi driver. And the biggest hotel chain doesn't own a single hotel. Maybe it's true, maybe millennials bring this stuff, this innovation to market. Maybe existing companies need people to ask 'why should we do it this way?'"

He thinks, for example, that that kind of fresh thinking can bring solutions to issues like climate change, pollution, and coping with an ageing population. "Apparently young people are more passionate about climate change and social justice; maybe they can be transformational," he says. "How can we harness their character traits to create opportunity rather than seeing them as a problem as we do now? Maybe there needs to be a paradigm shift."

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