

THE MOMENT OF TRUTH

The Villa Ruimzicht, on the outskirts of Doetinchem, a tiny town on the Netherlands–Germany border. It is Thursday evening, 17 March 2011. In the dining room of the hotel, each table decorated with a single white rose, regulars are enjoying the house speciality of a four-course surprise meal. In the bar, where Norah Jones’ ‘Don’t Know Why’ whispers from the speakers, a power play is in full flight.

At the bar sits one man, immaculately dressed in tailored white shirt, trousers pressed to within an inch of their life, shoes reflecting the perfectionist within. Leading business publications had not voted Don Braid best-dressed businessman for nothing. Nor CEO of the year, twice in fact.

Mainfreight’s group managing director is playing his part in this drama to the full. He was in town to make a deal: to buy a company that will bring the company’s ambition of total global expansion a step closer.

Mainfreight had already come a long way in the 33 years since it all began with one truck, in faraway New Zealand. The transport and logistics business had a global gross turnover of NZ\$1.3 billion. It employed more than 3400 people, half of them in New Zealand, with 186 branches worldwide — in Australia, the US, mainland China, Hong Kong and Singapore.

‘FUCK HIM. THE deal’s off,’ Braid said. ‘We’re going home.’

Further down the bar, in the doorway to the restaurant, stood Mainfreight’s suave Indian-born lawyer, Carl Howard-Smith, nodding furiously and saying ‘No’ to his smartphone. On the other end of the line, 18,000 kilometres away on a private beach on Waiheke Island, off Auckland, New Zealand, was company founder Bruce Plested, staring out to sea as he reiterated: ‘No one’s ego is to be allowed to get in the way of this deal.’

Howard-Smith, Plested’s long-time friend and confidant, glanced down the bar and decided this was not the time to relay such a message to Braid.

Behind the lawyer a tough-looking figure of a man was clearly flustered. Wim Bosman was not used to being told to ‘fuck off’. Not in public. Not in front of his team. Here was a man who 48 years before had founded the transport company that bore his name. It had been just him and a single truck he drove himself. Now it ranked as one of the largest and most respected privately owned transport and logistics companies in the Netherlands and Belgium. There were fourteen branches employing close to fifteen hundred people throughout Europe; more than a thousand trucks and trailers, and vast warehouses, some of which were bigger than all the Mainfreight warehouses in New Zealand combined. Bosman ran his empire with an iron fist. People came to work to do as they were told.

The tension was palpable as men strode frantically between bar and restaurant, relaying hushed messages back and forth.

‘He means it, the deal is off.’

‘But he can’t tell Mr Bosman to fuck off.’

‘He just did.’

Braid, meanwhile, was explaining to his New Zealand national transport manager Mark Newman, loud enough for all to hear, that Newman would no longer be moving his family to a leafy lane on the outskirts of Amsterdam to run Europe; but not to worry, he could go back and be in charge of the Auckland branch. Braid was playing to the gallery, or at least Newman hoped he was.

Watching all this, but showing no hint of amusement, was Mainfreight’s chief financial officer, Tim Williams. Such was the trust and respect with which he was regarded within Mainfreight that he was the only man in the company empowered to say ‘No’ to both Braid and Plested and have them unwaveringly accept his judgement. And Williams had given a great big tick to this deal. A deal he had stumbled on by mistake.

IT HAD ALL begun with a telephone call he should not have received from a well-placed source at an accountancy practice. Wim Bosman was looking to sell; would Mainfreight be interested?

In any year, Williams dealt with hundreds of time-consuming

‘rubbish’ proposals that crossed his desk, but this one seemed worth a second look. Then came another call. ‘Forget that information, we don’t have permission to let it out.’

Williams told Don Braid, who called Bruce Plested, who was on one of his regular sojourns at a language school, Institut de Français in Villefranche-sur-Mer, in the south of France. (He explains this as wanting to be prepared for the day Mainfreight buys a company in France.)

A week later, on a chilly day in September 2010, Plested walked through the arrival gate at Amsterdam’s Schiphol Airport to be greeted by Bosman, who was holding aloft a history of the Mainfreight company, published to mark its twenty-fifth anniversary, by way of introduction.

Plested had come to look and listen. He had no intention of entering into negotiations. As he sat with Bosman in the company boardroom in its headquarters in the little town of ’s-Heerenberg he asked about the computer system, to be answered with a shrug. ‘All I know is they talk to each other.’

Plested assumed from this that the system was old-fashioned. He got that right. Bosman had not been spending on upgrading it. Plested would have loved to have walked around the site to see how the freight was handled, how clean the warehouses and canteens and toilets were, and how the folk on the floor interacted with Bosman — show him these things and Plested has no need of a spreadsheet to tell you how healthy a company is. But Bosman was having none of that. He did not want anyone to know Plested was on site. Did not want him talking to anyone. Did not want anyone to know the company was for sale. That made a sort of sense, although the truth was that hardly a soul in the place did not know the company had been on the market for at least three years.

Plested had been interested in expanding Mainfreight into Europe for some time. He had concerns, however. The European attitude to work bothered him. The emphasis was on a work-life balance that to him seemed to revolve around more and more holidays for fewer and fewer hours of work, and a certain lack of ambition. He saw that as fine for companies trading within Europe, but anyone with global ambitions would be competing against people in New Zealand, Australia, the US and Asia, who were working longer and harder and with more determination than the Europeans.

He compared it to the supporter who stands up at a football



The Netherlands

match. He gets a better view than the people behind, so they stand up and then the people behind them stand up, and eventually everyone is standing up. The Chinese and the Americans and the Australians and the New Zealanders were all standing up, and Plested was worried about doing business with people who were sitting down.

There was the example of a driver who had worked for Bosman for 30 years and was entitled to 69 days' holiday a year. If they gave him a week off a month he still would not use up his entitlement. As for firing someone — forget it. To get round the law, everyone seemed to be on short-term contracts, with renewal at the discretion of management. Rather than embracing staff, the law was keeping them at arm's length. It was all very foreign to Plested's Mainfreight, where everyone was considered family.

Despite these reservations, Plested liked what he saw during his visit. He could see that Bosman was sitting on a potentially good business. The Netherlands is often described as the 'gateway to Europe', from which all major economic centres in western Europe can be reached in less than 24 hours. For a start there is Rotterdam, the largest port in Europe, second busiest in the world after Singapore, and Amsterdam's Schiphol Airport, Europe's fourth largest civil aviation hub. Plus an extensive network of road, rail and waterways. To say the Netherlands was an attractive centre for distribution and logistics would be a considerable understatement.

Don Braid also knew that Europe was critical to Mainfreight's long-term success; the missing link that would complement already established businesses in Asia and the US. Without a meaningful presence in Europe, Mainfreight was never going to be a true global force.

Braid's vision had always been to enter Europe by buying one of the company's European agents, but all discussions to that end had proved frustratingly slow. It had dawned on him that they were dealing with owners running what were effectively small lifestyle businesses. He realised, as Plested had done, that their ambition was to support their families, not to be the biggest operation in their home city, let alone country.

But buying Bosman was a very different proposition. By seamlessly merging the Bosman operation with Mainfreight's existing networks in Asia and the US, the company would be well on the way to achieving its ambition of becoming a global transport and

logistics business. Bosman was part of both the German-based, Europe-wide *System Plus* and the French-based *Volupal* freight distribution networks. Mainfreight would be able to tell customers in Invercargill, tucked away at the bottom of New Zealand, and as far away from anywhere else in the world as you can get, and those in Sydney and Shanghai and New York, that goods could be delivered to 22 European countries, west and east, without leaving Mainfreight's hands. They were also offering transport and storage of hazardous materials and express delivery. Plus, there was an air and ocean international business that was very underdeveloped and losing money.

So a purchase process swung into action. Don Braid followed up Plested's visit with a trip to the Netherlands in October 2010, and by December there was a heads of agreement, allowing full due diligence to commence in January and February 2011.

Earlier in the week before the Villa Ruimzicht meeting, while Braid and Newman were on a private-jet inspection of the Bosman empire, Carl Howard-Smith had been crunching the numbers with Tim Williams and Simon Cotter of Grant Samuel, the investment and advisory group serving the Australian, New Zealand and Asia-Pacific market. Grant Samuel was a favoured group; Mainfreight had an almost pathological aversion to consultants of any type, but Cotter had proved his worth on a number of previous deals.

They had undertaken a word-by-word page-turn of the agreement that took a full week to complete. Bosman had a financial advisor, Jac van Melick, who had impressed Plested and indeed everyone in the Mainfreight team; a lawyer; and company accountant Henk Messink, his confidant, on the case.

The Bosman deal was by no means perfect. Braid would quietly remind people that while it looked great on paper, there was much work to be done. Yes, there was a large business in the Netherlands and Belgium, strong branches in France and Romania and fledgling operations in Poland and Russia but, with a 2010 turnover of €240 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of €19.4 million, it was actually smaller all-up than either of Mainfreight's Australian or US operations.

That said, for €110 million Mainfreight would be buying a world-class logistics business along with the exceptionally bright young people who made it all tick. There would be a further earn-out payment of up to a maximum of €10 million if the Wim Bosman

Group achieved EBITDA of at least €20 million for the year ending 31 December 2011.

THE DINNER HAD gone well. Fine food and fine wine. As the conversation turned to the deal, Bosman declared he would only accept six times EBITDA. Don Braid had always known that would be a reasonable figure but had been holding out for 5.5, with an earn-out, while he waited for Howard-Smith, Williams and Cotter to tip him the wink that the numbers added up. Now he had that confirmation, Braid publicly conceded the point, agreed to Bosman's demand and stuck out his hand. They had a deal, he thought.

After all the due diligence, flying round Europe, poring over the books and sizing up the potential, the extended hand signified a great deal. At Mainfreight they do not do contracts, they do handshakes. They pride themselves on the fact that there is nothing more binding than a Mainfreight handshake. Yes, they understand other people have need of lawyers and bankers and accountants and documents signed in triplicate, but it was the handshake that mattered.

But then, at the last minute, Bosman pulled away, wanting €5 million in a 'break fee' to compensate them for their trouble if Mainfreight's shareholders failed to approve the deal, as they would have to do. Braid was astounded. He was booked to fly home the next day. This? This was game playing. He stalked off.

Bosman remained at the table with his arms folded. Carl Howard-Smith stepped in to offer €500,000 as a break fee. The Bosman team laughed, which irritated him just a bit. The negotiations dragged on into the evening, when it was agreed to park the fee. Howard-Smith was more than just irritated, he was mystified. After all, Bosman and his right-hand man Messink, the de facto chief executive, had been trying to sell the company for years. They had made much of the need to find a buyer who would not asset-strip the group, make great numbers of their people redundant and change the company name. Bosman wanted to keep the company and its people intact and retain its good reputation. He wanted a buyer with no footprint in Europe, one that would take over the entire operation and see virtue in keeping the name for its brand value.

But his problem was that the existing multinational transport

and logistics companies had no need of the Bosman operation, which would merely duplicate what they already had. And there was the small matter of the *System Plus* and *Volupal* networks that provided so much of the Bosman service and hence profit and net worth: networks made up of mirror-image companies of Bosman throughout Europe, companies that would not tolerate a major competitor buying Bosman. These franchises were alliances, a network sending freight backwards and forwards among themselves, and they would frown on Bosman being sold to the likes of DHL or FedEx. And they had muscle. *System Plus* was a €12 billion enterprise, making it collectively bigger than any of the large multinational forwarders. Bosman could only sell to a smaller purchaser, which narrowed the field considerably.

So Howard-Smith could confidently challenge: 'Well, who are you going to sell to? You tell me, who are you going to sell to? We will keep your people, keep your trucks rolling, keep your name. You tell me who you are going to sell to who isn't going to rip this place apart and fire half your people? What are your people going to think of you when you have got 100 or 120 million euro on your boat with your helicopter whizzing about and they are begging on the streets of Amsterdam?' It was tough. Tim Williams winced, even though he had heard it before. Howard-Smith would endlessly challenge the Bosman negotiators with, 'You're giving us nothing!'

Such a lot was at stake. Williams and Howard-Smith and Braid also knew Mainfreight would be welcomed as buyers by the other franchisers. Mainfreight had a relatively small amount of international trade, and at any hint it was setting up its own operation in Europe its agents would take their business and long-held customers to other operators, rather than risk them being taken by Mainfreight/Bosman, with an accompanying loss of commission.

Braid had long been concerned about agents controlling Mainfreight's freight in Europe rather than the company dealing directly with customers and, critically, controlling freight exports from Europe to the US. The existing one-way traffic was highly frustrating. If Mainfreight waited five years for another mid-level freight company purchase opportunity to come along, their sheer volumes and revenue might present an unpalatable gamble as agents fled, taking customers with them.

Despite differing views of whether Europe would be bigger or smaller than the Australian or US operations, Bosman would, dollar-



Amsterdam

wise, be Mainfreight's largest acquisition yet. It was their first serious step into Europe, and would be a driver of substantial growth in the coming years. And there would be much to learn. The Europeans made New Zealand freight handling look inferior. The cleanliness and the stock keeping were impeccable, largely because of the number of women they had working on the warehouse floor. If the deal went ahead, Mainfreight's blokey culture would be set for a shake-up.

WHILE HOWARD-SMITH, BRAID and Williams did not know the precise details of Wim Bosman's circumstances, that night at the Villa Ruimzicht they were sure this was a man making a final lunge for the line. They were right. Had the Mainfreight deal not gone through, the plan was to appoint a new managing director and for Bosman and Messink to retire on sensible pensions.

Despite their anxiety and frustration, Bosman's performance was no great surprise to the Mainfreight team. He had visited New Zealand prior to signing the letter of intent that enabled due diligence to commence. Back then, they had put Neil Graham alongside him as a best buddy. Plested's partner from the very earliest days was a master salesman. He understood why Bosman was being stubborn: the figures were so big he thought there must be huge margins at stake in the synergies. During the visit Graham would patiently explain the risk involved for Mainfreight. Bosman was looking for trust, and Mainfreight was looking for that too, along with the right price and margin. Patience ran thin, with Bosman constantly out of the room calling his lawyers in Amsterdam.

As for Mark Newman, he had known the Bosman business was special after his first 130-kilometre drive from Amsterdam to the German border and 's-Heerenberg, where he found a business brimful of intelligence. There he had met a host of friendly, smiling, articulate, energetic English-speakers, keen to get on with business. Now, everything depended on that final handshake.

The pre-negotiation strategy had been for Newman to get along with Bosman, and for Braid not to. Braid had been playing his role to the hilt; now it was time for Newman to earn his keep, to deal with a man who had started his business in 1964, the year Newman was born. Given that his wife Christine had initially burst into tears on being told they and their two sons might be moving to the Netherlands, but was now excited by the prospect,

Newman felt a double responsibility.

Newman was Mainfreight culture through and through. He had been with the company for over twenty years, since his university days, and was currently managing the New Zealand domestic transport operation. And now, maybe, he thought, running the Bosman business. To this day Newman remembers without embarrassment giving Bosman a hug, and then a kiss, as he urged him to reconsider.

So there they were in the bar: Braid feigning anger, Howard-Smith getting telephone instructions from Plested, Cotter bemused, Newman wondering how to break the bad news to his wife, and Bosman's team tip-toeing around them all, clearly wanting to repair the damage.

When Braid looks back on the moment he recalls, 'I just thought he was a rude prick. It made sense to use a private jet to visit all their locations, and he was always asking, "What you think? Aren't we great?" As we flew from Romania to France, halfway through the flight he stuck his hand out across the aisle and said, "Shake hands, let's do it." I told him we would do that when we had the numbers and I thought it was right. Then I would shake his hand. He kept pressing me to do the deal and I kept saying, "Not until we have the numbers, not until we understand this business." Three nights later that's exactly what happened and there he was refusing the handshake.'

HOWARD-SMITH REJOINED HIS group. No mention of the Plested call. 'Just you watch, they'll be out in a minute or two and I'll bring the break fee back to €2.5 million and you already have your six EBITDA on the table.'

And so it went. The advisors agreed to the terms, and at three in the morning a text came through announcing that Wim Bosman was on board; the deal would be done that day, once a few remaining issues had been resolved.

There was a huge sigh of relief all round. Yes, they had bought it relatively cheaply, and it was a good business with a tight culture, but there was a huge 'but'.

Mainfreight knew from the due diligence that the company's logistics division was dependent on a number of large companies. Three of them — Samsung; Ravensburger, the game, toy and puzzle manufacturer; and Sara Lee, the giant food and beverage

distributor — had already indicated they would be leaving. This was the reality of the global financial crisis, as even the biggest and the best found demand for their product shrinking and, with it, the need to outsource warehousing. They had more than enough space of their own. That, and the factor of desperate price-slashing by competitors.

To make matters worse, Bosman was retaining ownership of some of the land and those massive warehouses, which would be rented to Mainfreight. Howard-Smith had negotiated the rent to reflect the loss, with no review for the three years it would generally take to replace such customers. Little did they know of the April Fool's joke that was about to be played on them.

WHEN THE MAINFREIGHT team arrived at the Bosman headquarters later that day, they were ushered into the boardroom to be greeted by a tray of glasses and bottles of champagne. 'Schoolboy error,' whispered Cotter. They were planning a party; the deal was in the bag. The remaining six outstanding 'details' were dealt with in less than 30 minutes, with even Howard-Smith feeling awkward as he once more trotted out his 'You are giving us nothing' line.

That done, it was raised glasses all round, and the new CEO smiled and sent a text to his wife: 'Pack your bags girl.' Mark Newman was two weeks away from taking charge on 1 April 2011 — the day on which he would discover Mainfreight had lost 53 per cent of the Bosman warehouse turnover and profit to match.

But for now, on that beach far away, Bruce Plested took the confirmation call from Carl Howard-Smith. Thirty-three years after it all began, Mainfreight had a beachhead in Europe.