

BUSINESS

Words written on a wall at Version 1 make the firm stand out from its competitors, says boss Tom O'Connor

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GAVIN DALY



Tom O'Connor gets his inspiration from the wall. The chief executive of Version 1, a specialist IT services and software business, gestures to the facing wall of the boardroom, where the company's "core values" are writ large. "Honest and integrity," it says. And "Personal commitment." No ego, "Customer first" and "Drive".

Corporate culture is de rigueur these days, but Version 1's is the real deal, he insists. The values have been in place for more than a decade, following a brainstorming of about 10 executives, including O'Connor.

"Our HR director asked us, 'If aliens came down earth, what is the person we would send out to talk to them?'" says O'Connor. The bulk of the group came up with Ken McMahon, a key executive. "Then we were asked, 'What are the characteristics that made you pick Ken?'" The whole thing took about an hour-and-a-half and we had our core values."

Credit the values or not, but Version 1 is doing something of a version 1.0, with an average of 29% in each of the past five years, touching €105m last year.

The company marked the hiring of its 1,000th employee last month and had a cake for its first employee, who is still on the payroll. Its first two customers from outside Ireland came in 2002 and ESB are still on board, anchoring a 98% customer-retention rate.

O'Connor describes Version 1's work as "the glue that keeps the economy going", from underpinning the state's car tax system and handling IR payments to billing for hotels and restaurants, including the low-profile business at E2Com.

At the same time O'Connor, a 37-year Version 1 veteran, took over as chief executive from the founder, Justin Keatinge. Andrew Langford, a former head of the quoted FBD Insurance, joined a few months later as chief financial officer. Quietly FBD Insurance is the top job, O'Connor has a stated ambition to make Version 1 a "billion-euro company" by 2025. To get there he plans more acquisitions in the UK, where Version 1 has done several deals, as well as expansion into northern Europe and a possible IPO.

"The scale of the opportunity in the UK is massive," says O'Connor. "If we had the same market conditions there as we have in Ireland, we would be five to 10 times the size we are now."

Native of Moyalty, a Co Meath village known for its annual steam-threshing festival, O'Connor went to the national school and then to St Finian's College in Mullingar, Co Westmeath. His mother is a retired special needs teacher and his father, a mechanic who works in his father's garage, passed away when O'Connor was 12.

"I was helping out from when I was in primary school. I get feedbacks whenever I leave petrol or oil," he says.

At 16, he completed his Leaving Cert and went to University College Dublin to study commerce. "I may have been too young," he muses. O'Connor also did a master's in business at the university's graduate business school, and was picked up in a graduate mill round by Andersen Consulting at the age of 20.

"Andersen threw you into bootcamp and taught you programming. Every one's first client job there was writing code or fixing code," he says. Andersen O'Connor did a nine-month stint in Los Angeles and worked for the group in the UK. Seeing the film *Pulp Fiction* in LA on the way home was released in 1984 is etched in his memory. "It was my first job after college and there



O'Connor hopes to make the IT services and software firm a 'billion-euro company' in seven years. Acquisitions in the UK, which has 'massive opportunity', and northern Europe may put his target on track

was plenty of scaffolding. It was a great experience overall."

He did three years at Andersen, then joined boutique consultancy Prospectus in Dublin in 1996. He stayed for more than three years, working for clients in financial services and healthcare in the public sector.

In 2000, at the height of dotcom mania, O'Connor joined Digital Channel Partners (DCP), a Dublin internet company that was founded the previous year. It had grown rapidly to 200 people and was business with blue chips and large government agencies.

O'Connor was a project manager at the company, which claimed to be valued at €17m and was plotting a stock market listing. Then it all went south. DCP collapsed into liquidation in 2002, owing €2.7m to creditors. Near the end, the staff were paid out of plastic bags, says O'Connor.

"There was some madness at a corporate level, but DCP had some really great people. Some of them joined Version 1 and are still here," he says. O'Connor had left DCP in 2001, after meeting Version 1 when DCP was seeking a partner on a project. When he went in to build Version 1's consultancy business, the five-year-old company had about 30 staff over a coffee shop in Temple Bar.

"The idea here would say they missed the dotcom boom and bust. They just had their heads down, working". Version 1's then chairman suggested O'Connor should move to sales. "I didn't really know what I was doing. We didn't really have a dedicated sales team and I didn't have a sales background," he says.

The company "got into a groove" and earned a reputation for doing good work. Steady growth followed. Moving to a "proper office" in Dublin city centre was a milestone. Another was landing a contract in 2005 with the Department of the Marine in the face of competition from four larger bidders. "They threw the kitchen sink at it to try to get the job," he says. They were objecting and questioning,

and we stood up to it," he says. Yet sitting down to list the core values was the "seminal moment" for Version 1.

O'Connor describes them as the main point of difference between the company and its competitors.

"We are no smarter than them. We often don't have their scale. The difference comes back to our values," he says.

"Anybody can grow a services business quickly on the back of employees or customers. Those companies can grow quickly but not sustainably."

The values permeate everything from recruitment to acquisitions, says O'Connor. A deal that does not fit with them will not proceed. New hires are expected to "inspire" them. All staff have four "values" to describe them, while O'Connor and senior executives are expected to "inspire" them. All staff have four "performance conversations" a year and must give examples of using the values.

Version 1 also avoids getting clunky by

I'm a fan of Meath and Aston Villa, so I don't have much success in my life. Version 1 is it for me

organising itself into smaller units. The approach allows the company to stay flexible as it grows, says O'Connor.

"We have 40 senior managers, so that's 40 people with their own P&L, their own teams, their own customers. From minute one here I didn't feel like I had a boss, though clearly I had."

The company grew through the recession by winning market share from competitors, he says. It also got deeper into key partnerships with Microsoft, Oracle and Amazon Web Services. "Some competitors get lazy and thought the sky was falling. In we saw it as an opportunity and we would say the same about Brexit. A lot of people came down to the mentality of leadership in an organisation."

Version 1 had about 500 staff and revenue of more than €50m when it looked at the UK in 2013. Its first acquisition was almost by accident, says O'Connor. "Someone sent a teaser document [for a sale]. We bid and we won."

The company bought the UK business of IT services firm Telo in November 2013, followed by the purchase of Rocella Group, based in Edinburgh and near Manchester.

"For our people to progress, we had to grow. Otherwise you are waiting for people to leave or die," says O'Connor. In July 2014, the company secured its first external funding of €8m from the BDO Development Capital Fund in Dublin. The fund got a 10% stake and Version 1 "professionalised" its board and structures, says O'Connor, who was chief operating officer at that stage.

Version 1 bought two more UK businesses, most recently in October 2016. Then, Keatinge had raised the prospect of moving on, says O'Connor taking over.

"Justin would say that the first day with a new investor is the day you start thinking about when they're not an investor. We got more confident with acquisitions and started to see opportunities that were beyond the [financial] ability of Development Capital."

The deal with the London-based Volpi, run by Irishman Crevan O'Grady, emerged over time and without a formal fundraising process. After deliberating, O'Connor decided he could not ignore the prospect of the job. He refers back to the wall. "Drive" is one of my core values, too. I'm competitive by nature. I wouldn't be setting a very good example if I passed up this opportunity."

BDO Development Capital exited two years earlier than expected, with a 250% return on its investment. The chunky €20m valuation was "for others to decide", says O'Connor.

"Look at organic growth, look at a track record acquiring companies, an empowered workforce, customer success – that is what drives valuation."

O'Connor, the founders and 40 managers are shareholders. Company filings suggest he owned 20% of Version 1 before the Volpi deal.

In the past year the company hired 180 people – 140 in Ireland and the rest in the UK – bringing the workforce to 1,030. It will have 1,500 staff by 2020, though acquisitions could boost that figure.

"We always have a pipeline [of deals]. Acquisitions involve kicking a lot of frogs," says O'Connor.

Being known as an acquirer brings its own issues. Version 1's acquisition manager Kevin Ryan was recently contacted by a UK hardware business, says O'Connor. "We don't do hardware, we're a services and software business. Kevin said to look again. It was an actual hard work, in Southampton."

O'Connor's ambitions are certainly larger than that. A recent overhaul of its corporate identity and logo has helped to set the company for the next stage.

"An IPO is certainly an option and one we are actively planning for. We run the company as if it were a plc and we are very comfortable in our capabilities."

"It's a Meath, GAIA support and an Aston Villa fan, so I don't have much success in my life at the minute," says O'Connor. "Version 1 is it for me."

THE LIFE OF TOM O'CONNOR

VITAL STATISTICS
Age: 45 – "younger than I look but older than I feel"
Home: Batterstown, Co Meath
Family: Married to Cliona; five children
Education: St Finian's College, Mullingar; commerce degree
and master's in business from University College Dublin
Favourite book: *Underworld*, by Don DeLillo
Favourite film: *Will Work & Travel* at the Choccolato Factory, pictured



WORKING DAY
I leave home at 7am and drop my daughter at school in Dublin city centre. I'm in the office by 8am-8.15pm. I spend a quarter of my time on acquisition-related work, a quarter on staff matters, a quarter on customers and a quarter on other issues. I leave the office at around 8.30pm.

DOWN TIME
I spend a lot of time attending my kids' sports events and coaching kids' teams. I like horse racing, so I went to Cheltenham last month. I was at the Arcade Fine gig in Dublin this month – it was great.

Fracking filip now under fails to make Falcon fly

Dublin explorer should be on a high as Australia's Northern Territory lifts a ban on shale gas exploration, but the market isn't gushing, says **Brian Carey**

Falcon Oil & Gas boss Philip O'Quigley last week admitted to having given up trying to figure out market responses to company news, and not just in Australia.

He was talking last Tuesday morning via Skype to Proactive Investors Stocktube, an investor YouTube channel, just hours after the government of the Northern Territory (NT) in Australia had lifted a moratorium on fracking in the state.

Dublin-based Falcon has a 30% interest alongside Australian firm Origin Energy in a huge shale gas prospect in the Beetaloo basin in the NT. Previous wells, drilled prior to the moratorium, indicated a contingent reserve of up to 6 trillion cubic feet of gas. The drilled acreage represents just one-eighth of the total field. In short, as O'Quigley pointed out to Stocktube, this could be "enormous".

The market reaction to the news from Australia was

limited. Indeed, Falcon shares ended the week 6% lower, leaving O'Quigley and a great number of retail shareholders somewhat puzzled.

In fairness, the share price had enjoyed a decent run as the signals emerged from a scientific inquiry that the ban would be lifted. Since the start of the year, Falcon's share price had risen about one-third, so there was always a danger of a bout of profligacy. Yet for O'Quigley and the large band of Irish exploration investors who have backed the stock, the response was curious.

Many of those investors previously backed Cove Energy, the last Irish quoted exploration company to strike it big. It sold out to Thailand's PTT for €1.2bn (€1.4bn) in 2012. Cove Energy boss John Crawley was

been the most attractive prospect. O'Quigley, who cut his teeth at Providence Resources, signed a farm-out deal with Origin in 2014, with the Australian company essentially picking up the tab for a nine-well appraisal drilling programme.

The programme was almost halfway complete when a Labour-led government announced a

fracking ban. The 15-month delay has been "frustrating", O'Quigley said. Yet, in the period, oil prices rose from \$50 a barrel to more than \$70.

Origin was looking ahead with a \$400m (€330m) liquefied natural gas project in Western Australia, a potential future home for Beetaloo gas. Construction is also under way on a gas pipeline that will connect the Northern

Territory with Queensland, which is suffering from gas shortages and rising domestic gas prices.

O'Quigley pointed out last week that Beetaloo was looking to cut its reliance on coal, and shipping gas from northern Australia was clearly an option. The market's first action was the publication of new regulations governing the massive reserves and recommendations of the scientific inquiry. Origin will then have to submit applications for new permits based on the new rules.

In all likelihood, the new approvals will not be drilled until 2019 and the programme may not be completed until the end of 2020. Falcon will be charged for the drilling only if the cost exceeds a cap of A\$10m (€60m), which is unlikely. The company has cash of \$8m on its balance sheet. "We're not going to be a speculative asset," he confirmed, then O'Quigley will face the choice of whether to sell Falcon's 30%

stake or continue to explore the remainder of the basin with its partner Origin. In this regard, there appears to have been a shift in thinking.

When Origin (on an AIM, O'Quigley made little secret that its strategy would closely follow what Crawley achieved at Cove. "Falcon is actually to sell," he said. "We're not going to be a speculative asset." Producing company in unconventional. Falcon has doubled in value since its flotation but clearly the stock followers believe it may be more to come. Dany O'Grady, in this regard, Langbroek previously placed a value of 40p a share on the company, discounting for both political and geological risks in getting Beetaloo to production. Last week, he said (€60m), which is unlikely. The company has cash of \$8m on its balance sheet.

Whether the market recognises the value or not remains to be seen.



Falcon has a stake in a shale gas prospect in Beetaloo basin