



Flexstone Divests US Brand Management Agency

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Flexstone Partners has divested its stake in a US brand management agency, providing a gross return of more than 5.5x on its investment in little more than two years, with \$10.3 million committed for proceeds equal to \$57.3 million.

The sale to Accenture of Stable Group, a consumer brand agency headquartered in Minneapolis, was achieved despite turbulent markets in 2022 in the wake of negative geopolitical events and high inflation.

In April 2020, Flexstone took a \$10.3m equity stake in Stable Group, a multi-channel consumer brand agency providing marketing and analytics support, whose client roster includes Walmart, the leading brick and mortar retailer in the US, Amazon, the eCommerce giant, and Target, an S&P 500-listed grocer and retailer.

Nitin Gupta, Managing Partner of Flexstone, an affiliate of Natixis Investment Managers, said: *"This deal shows that there is still strong demand for companies which have robust business models and are resilient in downturns. When we first looked at this company towards the end of 2019, there were a lot of concerns about potential recession. One of the core things in our due diligence process is to underwrite recession/downturn into every deal. So if there is a recession, we feel confident that the companies we invested into will be resilient."*

Stable Group managed to retain more than 90% of both its customers and employees during first the coronavirus pandemic and then the war in Ukraine.

Brands still look for shelf space, even during downturns, which is a key reason for Stable Group's resilience. The need for shelf space and online presence applies to smaller brands which are seeking greater visibility, right through to the largest brands which are continually creating new products. *"Stable Group provides content creation, social media and data analytics to help both growing and established companies reach the right audiences,"* Gupta said.

In particular, the e-marketing capabilities of Stable Group help predominantly physical retailers among its client base

to develop fully-edged e-commerce strategies. Stable Group also provides a full spectrum Amazon consulting service to advise and help brands to promote themselves on the Amazon platform.

Organic growth was augmented by seven acquisitions during the period of Flexstone ownership, contributing to an increase in revenues from around \$20m in 2020 to budgeted revenues of more than \$100m for full-year 2022. Employee numbers have risen from 65 to 500 in the same period, and the company now operates out of five locations. Total retail sales advised by Stable are estimated at around \$4bn in 2022.

“Each add-on acquisition allowed Stable Group to expand its product offerings,” said Gupta. “The M&A strategy was not at all about synergies and cost-cutting but rather everything to do with scaling the business.”

Through its M&A strategy, Stable Group was able to add services such as e-commerce solutions and full Amazon consulting for existing and new clients. Many existing clients who were focused on offline channels gained access to all the verticals of e-commerce, to rapidly develop and scale their online presence.

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