

Expertise

“Private equity was a good partner because you get access to good advice. They bring intellect, business acumen, strategy and experience as well as the finance.”

Brooke David, ex-CEO, Ausfuel



AUSFUEL GULL

Archer
capital

“Ausfuel was the whole package with wholesale, retail and transport so it was a real competitor to the big oil companies and became one of the largest independent fuel operators in Australia.”

Brooke David always had the inspiration. But it was private equity that gave him the capital and focus to make his entrepreneurial vision a reality.

Brooke David grew up surrounded by great entrepreneurs. His dad, Dick David, founded what was to become the largest independent fuel distributor in the country, starting from one BP depot in Katherine that he bought in 1982. He was backed by two renowned entrepreneurs—Kerry Packer and cattle baron Ken Warriner—both of whom supported the elder David as he grew his BP depot into a distributorship that spread to take in Tennant Creek, Mt Isa, Cloncurry, Alice Springs, Darwin and Kununurra.

With these men as influences, it's no surprise that the younger Brooke chose the path of entrepreneurship. He worked in and around his father's business as he grew up and branched out into retail and pubs before coming back to work in his dad's operation in 2001.

He soon bought out the road train business from his father, and

when his dad was looking to exit the main business he stepped up to buy that, too.

This time, however, he took on private equity as a backer.

Brooke had not had much to do with private equity up until then, but he knew Bill Cook, then at AMP Capital Private Equity. “Bill Cook was Kerry Packer's representative and he knew the business,” Brooke says.

When Cook explained how private equity worked, Brooke thought, “It seemed like the best option in that, unlike banks, they bring intellect, business acumen, strategy and experience to the business as well—that makes a lot of sense to me.”

Once the buyout was completed in 2003, Brooke set about turning the business from one that sold 120 million litres of fuel with a revenue of \$180 million in 2001 to one that sold 300 million litres with a revenue of \$430 million by 2009. One of the key factors in the growth was the extra confidence that AMP Capital's backing meant. “It gave me the confidence that



Who we are

AVCAL is a national association which represents the private equity and venture capital industries covering early stage, expansion and management buyouts. Our members include fund managers, investors and advisors who support the industry.

AVCAL members build better businesses

The investment model used by the private equity and venture capital industries supports the building of stronger businesses that can deliver sustainable increases in enterprise value over the long-term.

AVCAL's core objective

To ensure that the business community and other key stakeholders understand the benefits of the private capital model of business ownership, and the role that it can play in contributing to investment and employment growth across the Australian economy.

I would not get pushed around by the oil companies," says Brooke.

Access to funding, improved systems and hard work resulted in growth to that point before the business hit a natural plateau. "I went to AMP Capital and said we've done what we said we would do but now we either have to grow or go—either we take it to another level or we cash in and move on," Brooke says.

In fact, Brooke had an audacious vision: he could see that with the majors, like Mobil, exiting the downstream business in Australia there was space to create a major player that would be an attractive acquisition for an Asian company or an overseas oil interest with a focus on Asia. Realising the vision would require creating a billion-dollar company under tight time pressures.

At the time, the investment wasn't considered the right fit for the AMP Capital portfolio, so a deal was struck with Archer Capital to buy 88 per cent of the business for \$105 million in 2010. For Brooke the deal with Archer was to give him the support that pushed him to create a fuel behemoth. "One of the best days in my business life was joining up with Archer Capital," he says.

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What Archer brought to the table was a strategy and focus that chief executives running day-to-day operations find hard to match. "Private equity brings a high level of focus and discipline," says Peter Gold, managing director at Archer. "When we first met with Brooke, we didn't tell him anything he didn't know. He knew the majors were pulling out and he could see the opportunity but he wasn't specific on what he was going to do to get from A to B. Typically companies are trying to do 10 things at the same time, private equity strips it down to the three things you need to do."

What Brooke brought was a passion and depth of industry knowledge that Archer found compelling. "So often when you are sitting opposite a person who is selling, it's hard to tell if they are just spruiking or whether they are passionate and really believe in the business," Archer says. He recalls they knew with Brooke when they went to see him in Darwin and all the trucks were squeaky clean and polished and the hub caps were shiny. "We asked around if this was just a show for us and people just

looked at us and said, 'Nah, that's what he does in the morning, comes out and polishes the hub caps.' "

The first thing Archer did was push Brooke to get the company's house in order. Within months of the deal, David had recruited and hired four new senior executives to head up finance, property, commercial and retail.

Along with new talent, Archer also implemented a new reporting system, set fresh key performance indicators and brought that final but essential ingredient—capital.

The next thing for Ausfuel was to bulk up through acquisitions.

In 2010, it bought the Western Australia-based Gull Petroleum for an undisclosed amount and the next year it bought Choice Petroleum, which operated predominantly out of Queensland.

In both deals, the key was to integrate the acquisitions in a way that created efficiencies. During this activity, Brooke could see the benefits private equity had brought. On the Gull acquisition, he had imagined that, as it had a stronger retail presence, he would be able to learn from it. But on the contrary: "There were a lot of improvements that could easily be made, despite it being twice the size of Ausfuel. We ended up transplanting our business practices and corporate governance and running it from Darwin." This approach meant huge savings and within six months Gull's profitability had doubled.

Following the merger with Choice Petroleum, Ausfuel now had a turnover of \$1.7 billion, employed 1100 people and was one of the top customers for fuel in the country, after BHP Billiton and Rio Tinto. The final part of Brooke's audacious plan began.

Sensing that the time was right, Brooke and a team from Archer went to Singapore for a global oil conference and let out word they were looking for other suppliers, and were even in the process of shipping their own fuel. It was important to show the market what they were capable of and highlight the future potential of the business, especially for vertically integrated traders.

Several well-funded parties emerged and became more interested in owning the business than being a supplier. Archer turned their interest into a sale process. "It was," Brooke recalls, "like watching pure poetry in terms of how clinical they were during the sale process." For a princely sum of \$635 million, Puma Energy emerged as the successful bidder at the beginning of 2013.

