

Take on Board Podcast – Episode 209

Transcript – Samar Mcheileh navigated a management buyout and says it's worth the risk.



Helga Svendsen 0:00

Today on the Take on Board podcast I'm speaking with Samar Mcheileh, about management buyout, about boardroom culture and about finances. Before we start that conversation, I'd like to acknowledge the traditional custodians of the land on which we record this podcast today. For me, I'm on the unseeded lands of the Wurundjeri People of the Kulin Nation and I pay my respects to Elder's past and present. I acknowledge their continuing connection to land waters and culture. As I've said, Before, I support the Uluru statement from the Heart. I'll be voting yes, I've done a podcast about why that's important. And I encourage others in the Take on Board community to do the same. Now let me introduce Samar. Samar is on the Finance and Investment Committee for In Touch an organisation providing services programs and responses to family violence in migrant and refugee communities. She's also a former board member of YWCA Victoria, an awesome organisation with a great alumni. Samira is the co-CEO at scale investors and we'll hear more about that soon. And early stage angel syndicate that invests in exceptional gender diverse entrepreneurs. Samar began her career in logistics and commodity trading, then went to London and got into finance. Before coming home and spending 10 years at JB Were in various executive roles. Principally, however, she's managed to the market desk working on a range of deals across all asset classes. Welcome to the Take on Board podcast Samar.

Samar Mcheileh 1:29

Thanks so much for having me Helga, great to be here.

Helga Svendsen 1:33

It is awesome to have you. And I really want to talk about the management buyout, because that's when I first reached out to you and said, Hey, let's get you on the podcast. But before we delve in there, as always, I want to dig a little bit deeper about you. So can you tell me a story about young Samar that tells us a bit about how you got to where you are today?

Samar Mcheileh 1:51

Yeah, sure. So I grew up in Melbourne born and bred, pretty much most of my life. And education was always at the forefront of growing up, and really important opportunity that my parents provided to me, and one that I fully took advantage of and was at uni and then did a post grad and just wanted to continue. I say this about my son all the time, like he started prep last year. And the teacher asked, what are your goals for your son. And the only thing I wrote was, I want him to learn to love to learn. Because I think if you learn to love to learn, you never stop. And it's something that I really value in any person or people that I meet. I think that's the story you'd like I was given an afforded an opportunity to fall in love with learning and have never really stopped and find that the more you learn the less you know, and so you want to learn more. And yeah, I think that pretty much sums up like my growing up years and, and kind of getting to where I got to now.

Helga Svendsen 2:54

When you were a child, what were some of the things you love to learn.

Samar Mcheileh 2:58

I always like to learn a new sport or like perfect, I think because I was surrounded by boys growing up as well. So I just wanted to be the best. And like it very competitive. And it was really funny. The other day I was playing in my son and I'm even competitive with him. And my mom was like, she's six years old. Cause he was really competitive. And I was like, Why are you being so competitive? Even like, you know, apple tree that doesn't really kind of explain.

Helga Svendsen 3:26

Thanks, Mum. Yeah, cheers, mum.

Samar Mcheileh 3:28

Yeah, I wonder who I got that wrong. But yeah, I think learning and perfecting something is what I really enjoy. And then I think more so as I've gotten older, like working out what I'm good at. And so I felt like tactical things were easier to learn. For me growing up rather than theory. I mean, really, it's application, if I find something that I enjoy, then it's easier to learn. So if I'm using my hands and my brain like it usually, just like I'm doing now, it kind of flows better, I don't know.

Helga Svendsen 4:01

Interesting, well, which is why learning in sport works well for you because you're using your hands or your feet and your brain at the same time. But your favourite sport like playing?

Samar Mcheileh 4:11

Tennis. I'm actually just got back into it this year. And I don't think I've committed to something for so long in a very long time. So I play every single weekend with my friends. We have a coach. He's from Colombia, it just makes it feel really legitimate. And we've just kept getting better and it's super fun. I just love it like the hour and a bit goes so quickly.

Helga Svendsen 4:36

How fantastic and such a, you know, good for mental health, good for physical health, probably good for social health as well. If you're doing it with your friends. That is fabulous.

Samar Mcheileh 4:44

Yeah, it certainly ticks all those boxes for sure.

Helga Svendsen 4:48

Yeah, brilliant. Well, thank you. Thanks for letting us delve in there. It'd be interesting, you know, in years to come when your son's on a podcast and they say you know, tell us about something about your childhood. He tells you a bit about where you got here today. And he'll be saying, well, there was this time when I was playing my mum, and she was being really competitive. Anyway. Okay. So thinking about learning new things, you at scale have recently been through a management buyout, you were part of the management buyout. And I think that's a story that would be really interesting for some of the Take on Board community. And at some stage, we might try and tee it up to have a conversation with your chair as well. Tell us about what happened. Where should we start about the management buyout?

Samar Mcheileh 5:33

Yeah, I think you know, the two topics I wanted to sort of focus on today, in terms of governance, where culture and finance and I honestly think they're the things that kind of led us to this point. Because board culture and boardroom culture is incredibly important. And I think when I first stepped into the co-CEO role, both Chelsea and I, in 2021. And I think this is a very common sort of thing. It's not not new to any of your audience, no doubt, but there can be so much of a bit

management and the board them in us type scenario that kind of plays out. And I remember speaking to the CEO of Giant Leap at the time. So that's a early stage venture Impact Fund in Australia. And he was telling me that you need to really quickly get from them and us to us all together as one kind of cohesive team. And I think that was a really great lesson to learn super early on, even though like I had, I've had plenty of boardroom exposure in my time. It's been in different capacities. It's not me being in the management seat. And it's a very different seat to be in, I guess, and to play from. So that was a really important kind of cultural lesson. And it took time, absolutely. But we became really a team, like it really felt like a team. And so it was really kind of bittersweet, when the time came to sort of make a decision on how does this business move forward? What is the next frontier, which the strategy was already something that we had worked through with the board, and had all unanimously agreed on where we're gonna take scale investors. So we are an angel Syndicate, we've been like that for 10 years, we were started by, you know, some really prominent, incredible women, formidable women in the ecosystem. So Carol Schwartz and Annette Kimmit, and Susan Oliver were the three original founders and Laura McKenzie was the founding CEO. And it was set up as a traditional syndicate in that, you know, the members that were part of that which were more predominantly their networks, were finding opportunities to invest in exceptional women entrepreneurs across Australia. And it was really predicated on getting women invested, included in this incredible asset class, and educating them on what it is to become an angel investor, and the opportunities that that then kind of flow from now. And I think that is really the DNA of scale invested. But it is not a sustainable model. The notoriously unsustainable Angel networks are, they just do not make any money. And they're just not sustainable, right, as a business model. So that brings us to finance. And especially an area that, you know, I know, you've spoken about a lot on your podcast, and, you know, with our time YWCA and the kind of really aligned things that we work on and believe in understanding your finances is everything. And I think it just is something that I'm continuing to learn. I'm certainly not the best at it. I think that was part of the informal exit interviews and areas of improvement that the board sort of left us with was how important finances and being really clear about what are the key drivers of your business and your metrics and how you're kind of measuring up against them. And, you know, the culture and finance together led us to this decision. And this incredible opportunity. Where we had positioned with some of the founders that I mentioned, were the shareholders of the company. And then there was a incredible board. So Catherine Robson was one of the board members, Penny Hird, who's from Uni Super, she's head of investment there, and Adam Pascoe, who's a tax partner at PwC. So like a great board, we're surrounded by incredible people. And we're really fortunate to say that they still are literally on speed dial, I think that was part of my like, our exit lunch when my speech saying, you know, you're going to be on speed dial, but truly like they, they pick up the phone, they are absolutely supportive. But that was one thing that really, that they really left us with these, you know, culture starts from the start, and you set the tone from the beginning. And I think we all kind of went in, and the seed was planted by Katherine, to us that you could take over, as in the management code, and she probably said this, you know, maybe two or so months before, and then they tried to sort of bring it up a couple of times. And I think you know, sometimes when you're not ready to hear something, and you don't really see it as a real option you're like, but what does that actually mean? I've done so many transaction Just given my background, being part of the Medibank transaction, which was one of the biggest transactions in Australia, after Telstra to like, I've been part of some incredible trends and like really small, obviously, Angel transactions and everything in between and every sort of asset class. But I've never really been part of like something from scratch,

like, mutually we were, I was like, I think we should think about this. So it was the, it was actually the Easter weekend, this year, where Chelsea and I had caught up with some friends, and then we'll catch up after and do some work. And I said to him that I think we should pitch a management buyout to the board, I think they'd be really open to it, at least exploring it like we don't have all the answers. But let's just pitch the idea. And we thought to ourselves, really Harris, who is our incredible CIO now was our investment manager at the time, we were both like we think she'll be in. We have an austere, we haven't spoken about this, but we think should be. I mean, it's so hard to employ people. But there was so much clear alignment when we met ru and got her involved in the business. We didn't even have finish her sentence before she was like, I'm 100% on board. In fact, I'll only be part of the management by I don't want to continue in the same capacity. Like she went to that extent, right. So everyone was all in the board nearly fell off their chairs, they were really excited. And then we basically spent two weeks in loads of meetings, late nights, early mornings, weekends. But it was one of the best transactions I've ever worked on. And I think that it was a unanimous position of everyone, including the shareholders, which, you know, we were having, obviously an arm's length transaction and out with the board sort of being our conduit. But after that it was described, and they're so supportive of where we're wanting to take the business, which is essentially shifting away from a to the syndicate and the community and the network is something that will always be like I mentioned, it's part of our DNA. It's what makes us successful, what's our secret sauce, right? Being able to lean on all of those, but the business model is shifting to more of a funds management model. So we're currently just launched a new product fund. And so we're running, trying to raise some money, the people would say, We're crazy. Like, it's not a great time to be doing that right now. But I think from an investment perspective, it actually is because you know, valuations have come off. So you're not in the 2021 environment where you're paying top dollar for businesses, you're actually paying reasonable, if not good prices. So yeah, we're just trying to create that burning platform and, and get more people involved in early stage gender lens investment opportunities. I mean, it's arguably the the arbitrage opportunity in this sub sector, and in this asset class. So that's really what we're aiming for now, so it's exciting and really scary at the same time.

Helga Svendsen 12:44

Oh, God, there's so much to delve into already in there. But I just want to take a little step back in it, what was the problem you're trying to solve? I guess, with their management buyout, like why did it come up? Why was it we need something different to what we're currently doing?

Samar Mcheileh 12:58

The catalyst was, I think, probably two things if I were to kind of distill it down. Firstly, like risk appetite. I think the board that I mentioned, really, they've got incredible reputations that they obviously want to protect. And we inherently work in the arguably the most riskiest asset class. Right. And as I mentioned, in a business model that has basically been funded by the government for its entire 10 years, predominantly, and you pay membership as well to be part of scale, but predominantly government funded and government that you don't need to look in a crystal ball to know that that is not going to happen moving into the future, especially for our for purpose for

profit business like we are. And that was something that Chelsea and I intentionally did when we came into the role as well is we significantly pursued a proper nonprofit pathway, because I Okay, well, maybe we can take advantage and you know, commercially sort of makes a lot of sense and being a lots of support from top tier firms. And but yeah, it just didn't work out. And, and for that reason, I think there is a fundamental issue with women led businesses being charities or being nonprofits, especially when they're investing and putting their hard earned dollars into opportunities that they absolutely should expect an incredible return from and research would back that theory up that diverse teams outperform so so why wouldn't you put your money where your mouth is, and sort of back it all the way? So I think the combination of the macro environment in terms of not being supported by the government anymore, sort of accepting that we're going to go in as a for profit business, for purpose meant the risk and the stakes were incredibly heightened from a board and from a director kind of fiduciary responsibility point of view. I just don't think that was something that was palatable, moving forward. And also the timing like the founders and the board. The board had been there for some of them had been there for a while. be useful for years, invested a lot of time a lot of energy volunteers, right. But you wouldn't know it under the best time, right? And then with the founders, they've invested 10 years of their life into scale and and supporting it in that capacity as true members, and then as shareholders and obviously taking on that risk, too. So I just think it was time for them. Especially for the shareholders, you know, they saw that 10 years ago, no one was even talking about this. And look, 10 years on, everyone's talking about it, there's clearly not enough action, the strategics have gone backwards. And we're here to sort of take it to the next level and really close the investment, gender gap. But um, yeah, we're really determined to make that happen. And that's why the opportunity came. That's how it came about, I guess.

Helga Svendsen 15:46

And it's interesting hearing in there. So it's, you want to take it to the next level, get that risk appetite to align with that. You'd spoken at the data about culture and alignment and being us, not us. And then but us. And it sounds like that's the sort of environment that was in place where perhaps a seed could be planted with you around, maybe this is something to think about. And then months later, it's like, yeah, this is something we want to think about. And let's think about it, let's now have the conversation in an open way, with the board, and with other stakeholders, shareholders, and stakeholders about how this can really work in a way that's best for everybody. Kind of sounds like scale grew up and it was time to move out of home. And everybody agreed it was the right time to move out of home in a way.

Samar Mcheileh 16:30

It's the perfect analogy. Yeah, absolutely. It's time to grow up.

Helga Svendsen 16:36

So from your perspective, then sitting in the co-CEO role, actually, how long have you been in the co-CEO role?

Samar Mcheileh 16:43

Since March 2021.

Helga Svendsen 16:44

Okay, so a couple of years, and then this comes up two years later, essentially, correct. Okay, so you've been in the business long enough to really get a grip on where it's at, and what needs to happen next. Yeah,

Samar Mcheileh 16:55

So I actually started in 2019, with Scale and Chelsea started in 2018. So we've both been there five and four years, respectively. And Ruth has been in the business for a couple of years. That is absolutely. And one of the probably the third factor in terms of why it was time. And there was the confidence in the management team to hand hand it over. Because I think that's absolutely a decision that the board needs to make, you know, they can't just hand it over to someone because someone's taking the risk from them. Like, they need to hand it over to someone that they think can actually thrive in the business. It just felt like the stars are aligned, right, it was just the perfect timing to take the business forward and kind of do it the way that we think it should be done and still fulfilling the sort of destiny of what we want to realize the potential as opposed to would have been this potential that was never realized. And you know, I don't want to kind of dive, imagining or wondering if, if I didn't do it. At least this way, we're gonna just, you know, it's either going to do really well or, or not,

Helga Svendsen 17:58

It's kind of go big or go home.

Samar Mcheileh 18:01

Yeah, exactly, exactly.

Helga Svendsen 18:02

So then I'm wondering, it sounds, you had the confidence in the management in place, you had a strong culture in place, you're across your finances, you're saying that was some of the key things to have in place? I'm wondering in as much detail as you're able to share, you know, there must have been some challenges in there. What might be some of the hurdles that you needed to get over to make this happen as well.

Samar Mcheileh 18:24

I mean, I may have alluded to this a little bit, but I think reputation was the biggest, by far the biggest hurdle, providing the board and especially the shareholders with confidence that their reputation is not going to be ruined, because we're still using the business name, for example. And that was a conversation that initially came up like, Well, okay, yeah, we'll sell it to you, but you're gonna have to change the business name and your brand refresh, and all this kind of stuff. And so that came up initially, but um, that was squashed pretty quickly. Actually, by the way, you know, I think a couple of the shareholders said, it's a waste of money, and they probably need the brand. You know, I mean, they've worked on the brand for the last however long so they should be able to leverage that, certainly, in the short term. I mean, who knows? Like, that's obviously still something that is always on the cards. I think reputation is navigating that in the in the agreements that we had to pull together. Also, the time we turned in credit, like I said, it was two and a half weeks, I think we got this deal done in, which is incredibly short, like it is borderline unheard of. And I think that comes down to the relationships and the quality of those relationships across management and the board. And the shareholders. Like there was this kind of triage of clear kind of principle alignment from everyone and always like really, truly would always go back to that in every conversation we had, and there were a lot of conversations that we had during that period of time. That was certainly really important. I think the other challenging one was, how do you practically sort of work through and provide, you know, the assurances to the outgoing kind of shareholders and board that their interests will be protected. And, yeah, and all of that.

Helga Svendsen 20:05

What are the key things you want people to take away from the conversation that we've had today about management buyout and the important things there?

Samar Mcheileh 20:12

I think that it's not a very common thing to happen, but it's an opportunity that should definitely be looked at, seriously. And I think if it makes you scared, you should definitely do it.

Helga Svendsen 20:24

Lean in. Yep. Yeah, I

Samar Mcheileh 20:26

I think that's I think that's where we kind of landed is I'm not sure we would all tell us, you know, like, what's the alternative? We have to go find a job and work for someone, or, like, come up with an idea. We've got a great idea right here. I think that came down to that as well. Like, we've got nothing to lose and everything to gain. And so why not take the opportunity? Yeah. So I think that's what I'd leave everyone with is like, if you can do it, and then yeah, just make sure you're talking to numbers. And I mean, I've got a very high risk tolerance, clearly given the space I work in. But, you know, just being really clear about that. And I think, you know, that's definitely something that the former board, and also, who are customers are, and focusing in on that. And I think that's something that I'll continue to let those two things I'll continue to learn and the culture piece as well, for sure, like, try and make it us as much as possible that it's got to be a cohesive team at the board if you have a board. And I think they're probably the three things.

Helga Svendsen 21:23

And is there a resource you would like to share with the Take on Board community?

Samar Mcheileh 21:27

Yeah, I mean, it sounds so cliché being in this space. But um, I've recently really got into the Diary of a CEO, it's an incredible podcast series, Steve Bartlett, goes really deep. Look every episode like two hours. So I know, it's not for everyone. I have a long commute. So it's good for me. And yeah, he talks to some incredible entrepreneurs, the entrepreneur from DCM, which is up, you know, the ordinary, which is a skincare product part of that company. I mean, it's not something I would normally ever listen to, I don't know why I listen to it to at home and remember why but it was one of the best episodes I've ever listened to. But it was really incredible. She has a really incredible story to share. And then also kind of obsessed with AI at the moment, probably most people are. And he has more, who would the former head or he's got his own podcast to cause called slomo. But Mo was the former head of Google X and again, has his he's been on two episodes and just talking about like he's obviously exposed to. He's got his own book on reading at the moment as well. But it's so funny. It's so it's such a dichotomy, like, his first book was about happiness, and that she has more about his personal story and his personal life and why it got better then I don't want to ruin it for other listeners, but you have to listen. And then his current book is all about AI. So Scary Smart. It's a fantastic book, highly recommend, I mean, given the space we're in, like everyone should be all over this, and understanding its potential impacts and good and bad.

Helga Svendsen 22:59

You've added a bit of listening to my listening list as well, which is already quite long, but I'll work my way through it and make sure I get there. Always good to hear about other awesome podcasts Oh, and your own give your own podcast a plug.

Samar Mcheileh 23:13

Of course, Connect to Capital. So our former chair Catherine Robson hosted the first season of that is literally connecting you with capital across ANZ and overseas, we speak to a whole range of different investors in the ecosystem, that invested early stage and beyond. And season two will be coming out in a couple of weeks. So we're sitting, I'm co hosting the last bit that, obviously,

Helga Svendsen 23:38

Well, we'll make sure we put links to all of those in the show notes. Fabulous. Aw, thank you. Thank you so much for being open. I mean, it was back when the management buyout happened and you put something on LinkedIn and I reached out and said, Hey, let's have a chat about that. It's taken us a while to get around to it. But here we are finally. So thank you for being open, you know, for taking the call and being open to the conversation and for taking your time today to share your wisdom with the Take on Board community.

Samar Mcheileh 24:03

It's been a pleasure. I really enjoyed chatting to you today.

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