GAVIN DALY

Film buff Frank Keogh is hoping for a happy ending in his role as managing director at DPS Engineering, the firm behind pharma and life science projects

Keogh has grown DPS Engineering into a serious player and has set his targets as €100m revenues and 1,000 staff

Quiet evolution the key for shy boss ready to take on the world

Frank Keogh likes to keep things low-key. He wears a smart grey suit, unflashy tie and sensible spectacles, and accepts, with a smile, that a lot of people have never heard of his company, DPS Engineering.

"Most engineers are introverts," he said, tucking into a lunchtime platter of cheese and cold meats at a Dublin hotel. "The company reflects that."

DPS broke cover last week, in grand fashion. On Tuesday, Keogh hooked up with jobs minister Richard Bruton for the announcement of 80 new jobs at the company, which already employs 810.

On Wednesday night, he had 250 guests in the RDS in Dublin for a celebration to mark 40 years in business. Comedian Mario Rosenstock was the entertainment.

Fitting Keogh's down-to-earth style, though, the dress code was smart-casual, not black tie. He prefers the title of managing director, even though "everyone tells me I should be chief executive".

He has probably earned the right to be called whatever he wants. DPS had 25 staff in 1996 when Keogh and three others got involved in the business, a specialist in designing and building pharmaceutical and life sciences projects.

Its work now spans huge capital projects in the pharma, tech, and oil and gas sectors. As well as bases in Dublin and Cork, it has offices in the US, the Netherlands, Belgium, Israel, Singapore and Saudi Arabia.

"Are there any life sciences companies in Ireland we don't work with?" Keogh asks himself. "I don't think so."

Business goes way beyond Ireland, however. The main DPS offices — in Dublin, Cork, Boston, and Leiden in Holland — are full design offices, each capable of handling two or three big projects at a time.

"We're big enough to do global work," said Keogh. "We've just been awarded a big project in Denmark."

Client names are confidential but it is safe to conclude they include the likes of Pfizer, GlaxoSmithKline, Merck and Genzyme. Tech clients, likewise, include some of the biggest names in the sector.

Growth has been impressive. DPS is on track for €75m revenues this year and Keogh has pencilled in a figure of €84m for next year. A target of €100m revenues and 1,000 staff is in his sights.

"In 2010, we did 90% of our work in Ireland," said Keogh. "This year, it will be 60% Ireland, 25% Europe, and 15% US."

His aim is to get to an even split between each region. Another hard-fought goal is to preserve a 5% profit margin, which DPS achieved in each of the last two years.

"We could get a lot bigger, but we are more focused on margin than volume. It's not all about being big."

He is more interested, he said, in making 5% profit on €100m revenues than making 2% or 3% on €200m. With one eye on expansion into Asia and funds in the business for acquisitions, though, you wouldn't bet against Keogh pushing DPS further.

He smiles. "There is a lot of personal satisfaction from running this business."

Keogh grew up in Goatstown, south Dublin, one of seven children. "We were a small family compared to lots of others," he said. Their father, James, was the first chief executive of An Bord Altranais, the Nursing Board, set up in 1952 by then health minister Noel Browne. Keogh went to secondary school at Marian College in Ballsbridge and then to the Dublin Institute of Technology at Bolton Street to study quantity surveying.

"I enjoyed my college life. I wouldn't mind going back some time," he said, in a tone that suggests he enjoyed it very much.

After four years study, he did three years with Mulcahy McDonagh, one of the country's largest firms of quantity surveyors, to qualify as a chartered quantity surveyor. He opted for a job in construction management with Jacobs, an engineering and construction multinational.

He joined in 1987 and stayed the best part of a decade. One of his first projects was building a brewhouse for Guinness in Dublin. When that contract was completed, Jacobs moved him on to work for San Miguel, the Philippines-based brewer, which was upgrading facilities in Asia.

The young Keogh family, then including three children, upped sticks for Hong Kong for two years. "It was a great experience for us and the kids, to get out and see the world beyond," said Keogh.

They came back to Ireland in 1991, though Keogh spent a chunk of time in the UK where Jacobs was building a plant for a life sciences company. In 1994, they moved again, to Cork, where Jacobs had a sizeable office. "Munster was huge for life sciences," he said. "It was a really busy office, a very productive office."

In 1996, however, Jacobs entirely overlooked Cork when it came to a round of promotions. "There were a lot of disenfranchised people," said Keogh, who would have been considered in line for a promotion. In the fallout, he decided to leave Jacobs with three other colleagues, Gerry Creaner, Pat McIntyre and Noel Rooney, and do their own thing.

Creaner was familiar with DPS, a small engineering outfit founded in 1974 and run by Michael Mulhall. "It had about 25 people in Cork and Dublin, run completely by Michael, a workaholic. We decided there was an opportunity."

Keogh and his three colleagues each took a 20% stake in DPS, and Mulhall retained 20%. He had to invest a "significant" amount of money and put up his home as security. "You'd have to be mad, or else reasonably confident of success," he said. They split the main roles between them, with Keogh in charge of project management and construction.

Within months of the buyout, DPS won a big contract in Dublin, managing the building of a drug manufacturing plant for Helsinn Birex, a Swiss group. The Keoghs moved again, back to Dublin.

"I didn't think I'd ever be coming back to Dublin," he said. "Our business plan wasn't based on us winning jobs in Dublin, but someone had to manage it and I had the construction background."

In 1998, with a plan to become "a more global company", DPS opened its first overseas office, in Leiden. A UK office followed in 1999, but closed within 18 months. "We didn't do enough market research. The UK is huge and you'd need numerous offices to serve it properly."

Between 1996 and 2000, DPS grew from 25 people to 200. In 2000, however, the business lost money.

"It was very difficult to turn down work," said Keogh. "We had huge growth but we just couldn't handle it. We didn't have the structure."

With the benefit of external advice, they made a conscious decision to try to contain growth to 10% a year. Business continued to roll in, and, by 2005, DPS had revenues approaching €30m a year and was making million-euro profits.

At the end of that year, Mulhall, approaching his 65th birthday, decided to sell the majority of his DPS stake. Rooney also cashed out, leaving almost 40% of the business up for grabs. Donal Roche, chief executive of Covestone Asset Management and a former managing partner of legal firm Matheson, came on board as a shareholder and chairman. Keogh and McIntyre boosted their stakes, and a group of about 20 senior managers also became shareholders.

Bringing in Roche, and later John McGowan, a former chief executive of Intel Ireland, as a director, gave the company fresh impetus, said Keogh. "When you have a company run by five engineers, you're going to limit yourself.

"Up to 2006, we ran it as an engineering company. Now we run it as a business."

The Singapore office opened in 2007 and, in 2011, they started a US move. Keogh flew to Boston to size up a company called Biometrics as a potential acquisition.

In a meeting, he realised the US group was run by Steve Fitzpatrick, a Mancunian whose family had holidayed in Goatstown when he was a child. Keogh and Fitzpatrick had played together as children. "It was an unbelievable coincidence. He nearly had a heart attack," said Keogh.

Earlier this year, DPS also bought Project Planning & Delivery, a consultancy in North Carolina. "Our acquisitions were done on a relationship basis. We like the guys involved."

The two US businesses are branded as DPS and employ 110 people in total. Fitzpatrick is on the main DPS board.

Creaner sold his DPS shareholding at the end of 2012 and left the group. Keogh, Roche and McIntyre are the "significant" shareholders, though Keogh won't be drawn on his exact stake.

He plans to step down as managing director in three years, just shy of his 60th, but he will remain with the group. There is work to be done before then.

The DPS brand and website got an overhaul last week and Keogh wants to "freshen up" the company. "DPS feels like an old company," he said. "We're looking at new areas with higher margins."

He aims to do more business in Asia, primarily through joint ventures to limit the risk involved. Partnerships are already in place with engineering consultancies in India and Turkey.

"We work with global clients, so we have to be global," he said. More acquisitions could well be on the cards, likely at a larger scale than the two done to date.

"We are very well structured," said Keogh." We have big financial reserves and are positioned for investment."

There have been buyout approaches for DPS itself, which could be valued at up to seven times its profits, based on industry averages. "As we got a bit of traction, a lot of international companies did look at us, but none seriously," said Keogh.

He has no personal exit plan as such. "If we get to €5m profits and I'm getting dividends as a significant shareholder, I'll be quite happy with that," he said.

A low-key income instead of a big-number buyout? That sounds about right.

THE LIFE OF FRANK KEOGH

Age: 56
Home: Enniskerry, Co Wicklow
Family: Married with four adult children, aged between 21 and 31
Education: Degree in quantity surveying and construction economics from Dublin Institute of Technology at Bolton Street
Favourite book: Thy Tears Might Cease by Michael Farrell
Favourite film: Promised Land, starring Matt Damon, *pictured.* "I'm a bit of a film buff."

WORKING DAY

I'm an early riser. I used to get up at 5.30am but now I'm up at 6.30am. If I'm in Ireland, I swim at 7am every Wednesday, and on Saturday morning too. I usually work until 7pm or 8pm, so they're long days. I'm doing the budgets for the next couple of years at the minute, and we're spending time on succession planning. I travel a lot. I go to the States one week a month and Europe one week a month, so only 50% of my time is spent in Ireland, between Dublin and Cork.

DOWNTIME

I like to keep active. I'm doing swim training lessons and I'm going to do a triathlon next summer. I like hill-walking with a group of good friends. We do it mostly in Ireland, but once every three months, we go further afield. I've been to Scotland, Wales and the Lake District. I'm a rubbish golfer but I do enjoy it. I play a bit of tennis, and I go to the gym as well.

Can you spare a million, guv? I'm a skint private equity baron

Many in the industry are struggling as investors impose much stricter demands. **Dan Dunkley** reports

IN A packed Sotheby's auction room in New York, the tension was palpable. Up for sale was one of the most recognisable pictures in modern art — Edvard Munch's The Scream. When the gavel finally went down, the tortured figure had fetched nearly $120m (€96m).

The identity of the buyer, however, was a mystery. Soon the whispers began to circulate — The Scream's new owner was no oligarch or industrialist, but one Leon Black, founder of Apollo Global Management, one of the so-called buyout barons from the secretive world of private equity. Black is no stranger to high art; the Munch will sit nicely alongside works by Vincent Van Gogh and Pablo Picasso in his $750m collection. Making a fortune from buying and selling companies, the lavish riches enjoyed by Black and his fellow private equity titans are the stuff of legend.

But many private equity executives are not as cash rich as they seem. Those attempting to launch their careers in the private equity world are finding it difficult, with some even lacking cash to invest in their own funds.

Private equity firms mainly spend money given to them by pension funds, wealthy individuals and insurance companies. They are, though, told to put some of their own money into each fund they raise. In the past this has been as low as 1%-2% of a total fund. This "skin in the game" is intended to show that the interests of dealmakers and investors are aligned — if investors lose, so do the fund managers.

However, investors are now demanding more from their private equity fund managers — specifically, that they put more money into their funds. Since the financial crisis, they want assurances that fund managers have thrown in their lot with their investors.

According to research firm Preqin, the European private equity funds raised since 2008 have seen executives put in not the usual 1%-2%, but 4% of the total fund raised.

Adding to executives' problems is growing investor scrutiny of fees. Practices such as siphoning off excess management fees to invest in funds are being clamped down on by investors, market observers say.

One fund manager who invests in private equity funds said he was aware of private equity dealmakers who were now "fully loaded" in their funds, piling in all their personal wealth and leaving them "exposed". This, he said, even made it difficult for private equity executives to buy houses and pay expensive school fees, and left them vulnerable if funds failed.

CHRIS GOODNEY

Bucking the trend: Apollo's Leon Black and his wife Debra

The fund manager said: "The norm as regards commitments to funds used to be 1%. This is now rising and is frequently 2% or sometimes even higher. Not only are investors expecting private equity executives to invest more in their own funds but they frequently ask these commitments be paid using after-tax income from the individuals themselves . . . As funds get larger the total amounts involved can get very substantial."

Carried interest — private equity executives' share of fund profits — is usually only achieved once the funds have returned all of their money, plus about 8%, to investors. But the global financial crisis has left many buyout funds, including the industry's best known names, unable to reach that benchmark.

The fund manager said: "People assume that the [private equity] industry makes a fortune. People are paid very well but most executives have to fund their investments at a very significant level on a regular basis. It is challenging."

These concerns were laid bare in a recent report by Investec. The report, which surveyed senior private equity executives, found that 21% thought they would have to put 3% into their next fund, while 7% said they would have to invest up to 7%. The report revealed executives had concerns about carried interest. A total of 38% said they did not expect such a payout for at least another three years.

Robina Barker-Bennett, who runs the Lloyds operation, said the bank works only with larger, lower-risk private equity firms. She insisted the facilities are not risky. "Only the best clients get this service. The people we back, we have been paid back. We ensure there is cash flow coming through, such as in management fees."