CORPORATE FINANCE FACULTY
ICAEW.COM/CFF
ISSUE 200
MARCH 2018
GROWTH OPPORTUNITIES EXPERTISE
ICAEW

Corporate Financier

TECH OVER CODE

How financial services firms are innovating with fintech M&A as the deals market hots up to more than $3bn

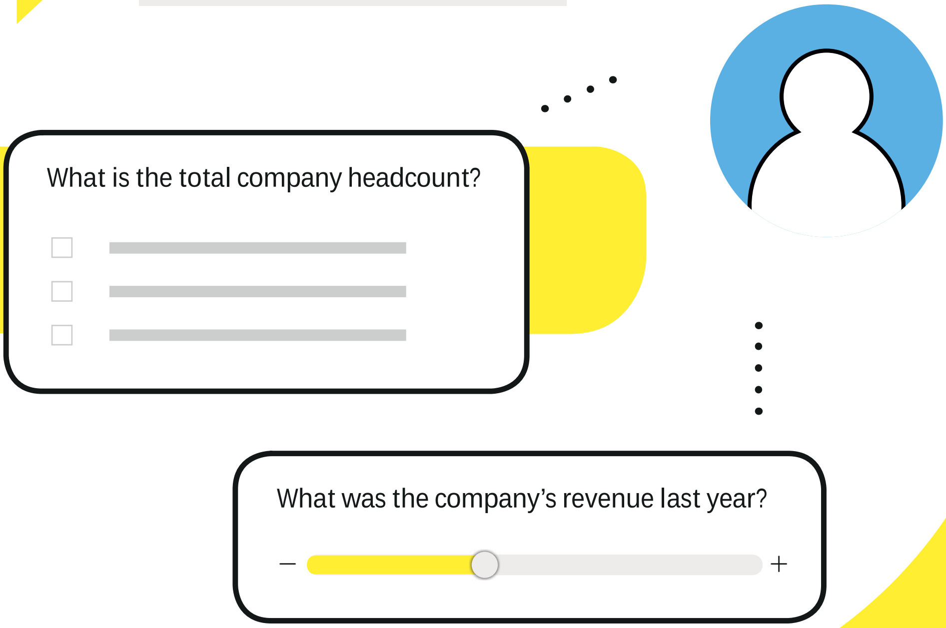
Beauhurst was built for corporate finance professionals. Our search tools allow you to quickly find whatever you need from data on every UK equity deal - even those that never make the press.

Beauhurst helps you get the job done quickly.

Case study
Find targeted funders for your clients

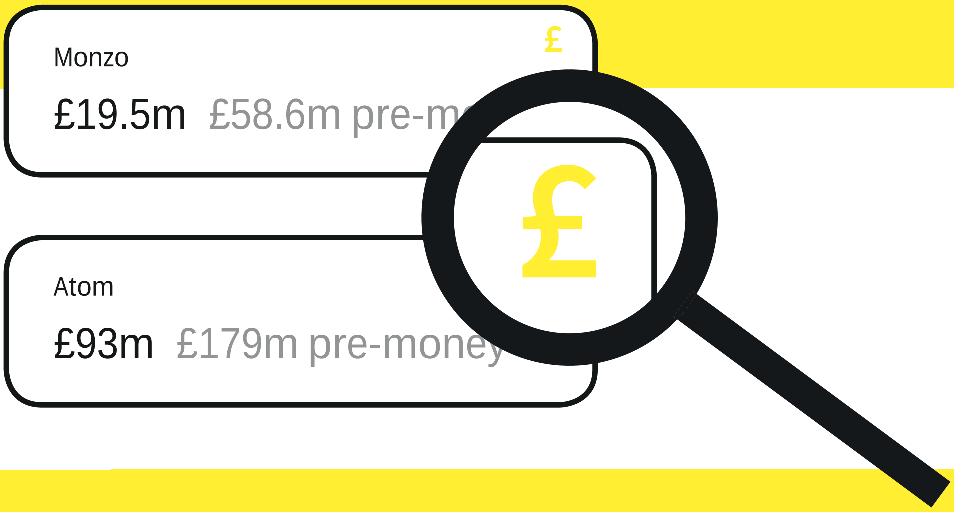
1

Create a detailed client profile in minutes



2

Find comparable deals and valuations



March 2018 Issue 200

GROWTH
OPPORTUNITIES
EXPERTISE

@ICAEW_CORP_FIN
ICAEW Corporate Finance Faculty
icaew.com/cff

Value of sponsored loan issuance globally in 2017. A new record, it is double 2016's figure of $378bn

Beanz meanz?

Published in February, the latest Tech Barometer by Moore Stephens revealed that the average enterprise value of technology companies on AIM reached £111m at the end of 2017 – a 50% increase from last year. During the second half of 2017, there were seven tech IPOs on AIM, raising £114m in total.

IntegraFin holds the distinction of being the first UK IPO announced this year, with a £500m listing on the main market of the London Stock Exchange. It was a cash-out for the company's founders, valuing the business at around 20x EBITDA. Game changer? Or a bubble? There will surely be some of the former and latter.

In this month's issue, David Prosser looks at the fintech boom (see page 18). As well as IPOs, the sector continues to attract big investment from corporates, buyout firms and VCs.

In February, the Japanese giant tech investor SoftBank announced a deal to take a one-third stake in Swiss Re, one of the world's oldest insurers. At the end of last year, SoftBank invested $120m in US insurtech start-up, Lemonade, with plans to make the AI-enabled insurer for buy-to-let property owners global.

Why was SoftBank investing in Swiss Re? In 2016, the 154-year-old insurer launched InsurTech Accelerator in Bangalore. Fintech is bringing innovation to an old industry, so SoftBank wants to harness the technological opportunities with some old-world insurance business know-how.

Perhaps blockchain – the technology behind the bitcoin 'phenomenon' – is receiving the most column inches. Initial coin offerings (ICOs) raised $5.6bn in 2017 – and the blood pressure of regulators across the world. Blockchain technology has many, many more applications than cryptocurrency, including healthcare, identity and security, advertising, education... the list goes on.

Blockchain is also transforming some business valuations. Last year, beverage maker Long Island Ice Tea transformed itself into Long Blockchain when it acquired UK-based Stater Blockchain. Its share price went up – as did Kodak's, when in January it teamed up with WENN Digital to launch KodakOne, using blockchain to give photographers greater control of rights to images. Intercontinental Technology (formerly Rich Cigars) saw its share price jump 2,000% after it announced it was focusing on blockchain. Whether Long Blockchain lasts longer than a glass of ice tea remains to be seen, given that Nasdaq has proposed that the 'new business' be delisted.

Warren Buffett, the old 'Sage of Omaha' (see page 10), loathes speculation, and avoids technology that he doesn't understand. He loves 'old world' established brands. Will Buffet and his buddies at 3G Capital rebrand Heinz products? CryptoKetchup anyone?

Marc Mullen
Editor

icaew.com/cff

ICAEW

Corporate Finance Faculty

Mark Pacitti
Chairman

David Petrie
Head of Corporate Finance

Katerina Joannou
Manager, capital markets policy

Shaun Beaney
Manager, Corporate Finance Faculty

Elizabeth Price
Services manager
+44 (0) 20 7920 8689

Grace Gayle
Service and operations executive
+44 (0) 20 7920 8656

firstname.surname@icaew.com

Marc Mullen
Editor
marc.c.mullen@gmail.com

David Coffman, Rebecca Guerin, Mo Merali, Victoria Scott
Editorial advisers

For details about corporate and individual membership, please visit icaew.com/cff or contact the faculty on: +44 (0) 20 7920 8689

To comment on your magazine, please email: publishing@icaew.com

Corporate Financier is produced by Progressive Content
71-73 Carter Lane
London
EC4V 5EQ

To make any advertising enquiries email to: advertising@progressivecontent.com

ISSN 1367 4544

TECPLM15914

Printed in the UK by Sterling Solutions

Distributed to members of the Corporate Finance Faculty

PEFC Certified
This product is from sustainably managed forests and controlled sources
PEFC/16-33-1391
www.pefc.co.uk

NEWS & EVENTS

DEVELOPMENT BANK OF WALES JOINS FACULTY

The Development Bank of Wales (formerly Finance Wales) has joined the Corporate Finance Faculty. Owned by the Welsh government, the development bank was established to make it easier for businesses in Wales to get the capital they need. The development bank is funded through a mixture of public and private finance and invested £55m in 2016/17, in the form of debt and equity.

It invests between £1,000 and £5m in Welsh micro- to mid-cap businesses, from seed finance and start-up to succession. It has several investment teams – including new investments, technology ventures and micro-loans. There are also equity and loan portfolio management teams, with the development bank offering follow-on funding to portfolio companies.

"The Development Bank of Wales is targeted to increase annual investment levels from our current £55m per annum to about £80m per annum by 2021," said finance director David Staziker (pictured), who has held several positions since joining in 2002, most recently as investment director. He previously worked for PwC and Gambit Corporate Finance. "When private sector investment leveraged is taken into account, we aim to have a £1bn impact on the Welsh economy over the next five years.

"Becoming a corporate member of the ICAEW Corporate Finance Faculty will support us with these ambitious targets. Expanding our network and keeping up to date with emerging trends will be vital to ensuring that we are well-placed for new business opportunities and to maximise value within the portfolio."

Recent investments include:

- Signum Health secured a further £400,000 of equity co-investment from the Development Bank of Wales and private investors in January, bringing its total funding to £600,000. Professor Stephen Smith, a former CEO of Imperial College NHS Trust, has joined Signum as chairman. The Caerphilly-based business uses artificial intelligence and cloud technology for remote health care.
- MII Engineering, which maintains and repairs many types of plant and machinery, received a £400,000 loan in January. Currently employing 250 staff, the business was supported by Finance Wales, with five loans totalling £1.8m since 2011, following a successful MBO.
- Digital Profile, an online careers portal to help people access jobs and training, received £275,000 from the bank, private investor Giles Phelps and Cardiff Council in January. Based at the TramShed Tech in Cardiff, the business was launched in June 2016. More than 450 approved businesses and 3,000 individuals now use its system.
- A £250,000 loan to Anglesey-based Plas Farm, which manufactures frozen yoghurts, in December 2017. It currently exports 40% of its products and the new investment backs its plans to double turnover in the next five years.

GETTY

REBECCA GUERIN JOINS CORPORATE FINANCIER'S EDITORIAL ADVISORY PANEL

RSM partner Rebecca Guerin (pictured below) has joined the editorial advisory panel of *Corporate Financier* magazine.

Guerin, who is now based in Reading, trained with Arthur Andersen before joining EY in 1999 to head the South region transaction services practice. In 2003 she moved to VCF in London, and moved to the Thames Valley with RSM in 2010.

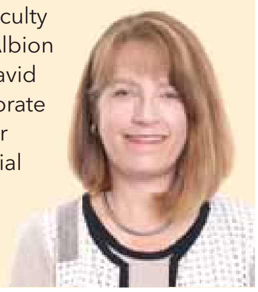
With more than 25 years' transaction experience, she has advised businesses across a range of sectors including TMT, recruitment, business and financial services, food and manufacturing. "My transaction background has been primarily in the mid-market," said Guerin. "Many deals nowadays have international aspects, and at the moment there's a lot of interest in UK businesses from the US.

"We're performing a lot of vendor due diligence work for auction processes as well, which seems to be increasingly a feature of even the smaller mid-market transactions."

Guerin says the big question on corporate financiers' minds at the moment is the role macro-economic factors might play in a transaction: "Will the environment for M&A remain strong? Pricing is quite high for the best assets. Multiples vary sector to sector, but it really does depend on quality as well. For niche businesses with great potential, there is money out there chasing these deals, commanding good prices for sellers."

The editorial advisory panel reviews each issue of *Corporate Financier* ahead of publication, working closely with faculty staff, editor Marc Mullen, and publisher Progressive Content. The panel brings additional practical and technical expertise to the process.

Mo Merali, head of private equity at Grant Thornton and a member of the faculty's board; Victoria Scott, head of marketing at faculty member firm Albion Capital; and David Coffman, corporate finance director at Cairn Financial Advisers, are also on the editorial panel.



MALAYSIAN ADVISORY FIRM THINKAT JOINS FACULTY

Thinkat Advisory, an independent corporate finance boutique based in Kuala Lumpur, has become the latest international advisory firm to join the Corporate Finance Faculty. The firm is licensed by the Securities Commission Malaysia to offer corporate advisory services. Its focus areas include IPOs, M&A and fund raising.

Thinkat was founded by a group of accountants, bankers and consultants. The firm's chairman, Henry Hooi, is a career banker with extensive regional experience, having worked in Australia, Hong Kong and Taiwan. In his most recent position, he was chief risk officer at the Standard Chartered Bank in Taipei. Thinkat also has three executive directors – Ahmad Zubir Zahid (pictured) Karl Fredericks and Terrence Yei. An FCA, Zahid practiced as an accountant with London-based Bourner Bullock and PwC in Kuala Lumpur, before branching out into commercial practice. Fredericks and Yei have been in investment banking for most of their careers, previously with EON Investment Bank, where Fredericks was head of the corporate finance division.

"Having joined over 10 years ago, I can truly appreciate the benefits of being an individual member of the faculty," said Fredericks. "As a young advisory firm, our partners see this as an opportunity to join a prestigious international network of industry professionals and hope to leverage off this network to support our cross border work."

ICAEW RESPONDS TO PROPOSED AIM CHANGES

The Corporate Finance Faculty has responded on behalf of the ICAEW to the London Stock Exchange's consultation about changes to its rules for AIM companies. The proposed changes relate to:

- formalising an early notification process for nominated advisers;
- providing guidance to nominated advisers about 'appropriateness' considerations; and
- requiring AIM companies to comply or explain in relation to the corporate governance code.

ICAEW's response identified a potential unintended consequence of the 'appropriateness' test. Due to the requirement of "secured key licenses, government approvals and intellectual property rights", early-stage companies may be discouraged from considering an IPO or move to AIM.

Katerina Joannou, who is the capital markets expert for ICAEW and the Corporate Finance Faculty, said: "Broadly, we do not have problems with the proposals. On the reference to a 'recognised corporate governance code', there's a later reference to a 'recognised industry code'. We think the wording should be more specific, and that there should be guidance on the international codes that boards may decide to apply."

IN NUMBERS

Global M&A top 10 deals in 2018 so far, UK profit warnings on the rise, and US VC's bid to set a new fundraising record

TOP 10 GLOBAL M&A DEALS ANNOUNCED (YTD)

TARGET NAME	ACQUIROR NAME	Deal Value ($bn)
1. 21st Century Fox	Walt Disney Company	66.00
2. SCANA	Dominion Energy	14.30
3. Bioverativ	Sanofi	11.36
4. Altice USA	Group of shareholders	10.52
5. GKN	Melrose Industries	10.01
6. Liberty Latin America	Group of shareholders	9.64
7. Juno Therapeutics	Celgene	8.73
8. Impact Biomedicines	Celgene	7.00
9. UBM	Informa	6.11
10. Hindustan Petro Corp	Oil & Natural Gas Corp	5.78

SOURCE: ALL THOMSON REUTERS

81

11% higher than the same quarter in 2016, and the highest since Q4 2015

Number of profit warnings by UK quoted companies in Q4 2017

33% of UK listed retail businesses issued profit warnings in 2017 (up from 26% in 2016)

SOURCE: EY

$723bn

Sponsored loan issuance globally in 2017

New record (previously $530bn in 2013) – double 2016's $378bn

$8.2bn

Unitranche issuance globally in Q4 2017

48% up on Q3 2017

SOURCE: THOMSON REUTERS

PE FUELLED GROWTH

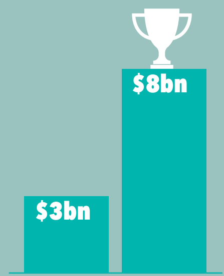
12% increase in revenue of private equity-owned UK businesses in 2017

SOURCE: BDO (SAMPLING 902 COMPANIES)

RECORD TARGET: SEQUOIA

$8bn The latest fund target for Sequoia, a Silicon Valley-based venture capital giant

This would be single biggest VC fund in the US (beating the previous $3bn-plus raised by NEA and Technology Crossover Ventures)



$5-6bn Although the size of the fund could be lower at $5bn to $6bn, which would still be a new record

SOURCE: REUTERS

23% of UK-based entrepreneurs launch start-ups with an exit in mind

SOURCE: JAZOODLE

ICAEW
CORPORATE FINANCE
FACULTY

New year. Old friends.

THE CORPORATE FINANCE FACULTY WOULD LIKE TO THANK ITS MANY MEMBER ORGANISATIONS FOR THEIR SUPPORT IN 2017 AND 2018

3i
ABN AMRO Commercial Finance
Addleshaw Goddard
Albion Capital
August Equity
BDO
Beechbrook Capital
Beer Mergers
Berwin Leighton Paisner
Better Capital
Brewin Dolphin
BTG Corporate Finance
Burges Salmon
Business Growth Fund
Buzzacott
Cantor Fitzgerald
Cass Business School
Catalyst Corporate Finance
Cavendish Corporate Finance
Clydesdale Bank
Corbett Keeling
Crowe Clark Whitehill
Deloitte
Dentons
Duff & Phelps
Dunedin
ECI Partners
Equistone Partners Europe
EY
Fieldfisher
Gibson Dunn
Grant Thornton
Haysmacintyre
HMT
ICON Corporate Finance
Investec Bank
James Cowper Kreston
JCRA
JLT Specialty
Jumpstart
Kingston Smith
KPMG
Kroll Advisory Solutions
LDC
Lexington Corporate Advisers
Linklaters
Marsh
Mazars
Media Asset Capital
Menzies
MHA MacIntyre Hudson
Mobeus Equity Partners
Moore Stephens
NorthEdge Capital
OMERS Private Equity
Panoramic Growth Equity
Pitmans
PKF Francis Clark
PNC Business Credit
Price Bailey
Punter Southall Transaction Services
PwC
Ramboll Environ
RSM
Rutland Partners
Saffery Champness
Samena Capital
Shawbrook Bank
Simmons & Simmons
Slaughter and May
Smith & Williamson
Stonehage Fleming
Taylor Wessing
Travers Smith
UHY Hacker Young
Wilkins Kennedy
WSP
Yorkshire Bank

If you would like your organisation to become part of the biggest network of professionals and companies involved in corporate finance, please contact grace.gayle@icaew.com or call her on +44 (0)20 7920 8656

To find out more, please visit www.icaew.com/cff or email cff@icaew.com

ICAEW Corporate Finance Faculty **@ICAEW_CORP_FIN**

JON MOULTON

RATIONS PLEASE

No one in their right mind would call for an extra-large helping of governance – except, perhaps, the corporate governance specialists themselves

I'm not a smoker, but a quick back-of-the-fag-packet calculation suggests that fewer than 1% of companies on the London Stock Exchange Main Market list go bust each year. This implies an average lifespan of more than 50 years for these businesses.

If you look at it another way, nearly all fully listed companies (ie, not including AIM) pay a dividend. The FTSE 100 pays a 3.7% dividend on average. So, assuming investors are even vaguely rational over the very long term, and would like their money back plus some return over gilts (long rates of which are pushing 2%), then the market is assuming an average life of each company of well over half a century.

For the past couple of years, the UK's Financial Reporting Council (FRC) has ordained through the Corporate Governance Code that directors of Main Market companies should state the period over which they believe that the company will be able to continue in operation and meet its liabilities as they fall due in their viability report.

The remarkable fact is that the reporting companies are reporting solvent life expectancies never over five years – indeed more than 75% estimate two or three years of happy survival. No one publishes a shorter period as it would clearly lead to panic. For example, Carillion forecast three years of survival only one year ago.

TICK, TICK, TICK

No one can know the future well, but how can this make sense? Companies raise debt with terms more than five years, eliminate pension deficits over decades, value assets on 20-year net present values. This all makes very little sense if the directors are insufficiently sure of their existence over only the next three years. Very clearly the directors are deciding there is an absence of reward for being realistic in their viability reports, and instead, they're resorting to the second most common action in corporate governance, just behind comply or explain – simply ticking the box.

They tick away, secure in the knowledge that essentially no one gets to page 70 of the governance section of the annual report. No one reads this stuff, and if some insomniacs chose to, they'd pay no heed, because if they did so the business would have no long-term debt or contracts. Perhaps the FRC take comfort from the uncomfortable fact that the mortality risk of directors is far higher than that of their businesses.

Why does the FRC inflict this on companies? Well, the case against doing so is easy enough. It costs companies a lot of money and executive time. Probably the only time the viability report will get attention is when a company gets into trouble, and has to reduce its time to extinction. And anyway, only trainspotters with exceptional reading skills will read the near-useless output.

PROVE IT

There is no evidence I can find that shows differential equity pricing between companies with two years and five years of healthy life expectancy. AIM stocks do not have viability reports, and have been far better investments than the Main Market in recent times.

The FRC seems to believe that forcing companies to produce this viability report produces better risk analysis and reporting. This seems improbable but, in any case, you can have the better review and analysis without the jocular prognosis statement. Why is it just risk analysis and not opportunity analysis?

I think it's depressing to read the FRC Lab's paper *Risk and viability reporting.* No evidence is presented at all about the economic benefits of this 'viability' stuff. The Lab's report merely recounts the views of most governance professionals – who, unsurprisingly, want more and more reporting and process.

The FRC doesn't seem concerned that annual accounts never stop growing, while the number of public companies continues to decline, as does UK productivity. I wonder if the FRC has spotted, let alone linked, these trends. ●

THE *3G* EFFECT

Kraft Heinz's aborted $143bn bid for Unilever was spun as a battle between good and evil. How did the famous 'Sage of Omaha' Warren Buffett find himself fighting for the dark side? Grant Murgatroyd reports

It's OK to change your mind. It's rational. The Science Council defines science as "the pursuit and application of knowledge and understanding of the natural and social world following a systematic methodology based on evidence". Inherent in that definition is the idea that, if the evidence shows something different to current knowledge and understanding, you follow the evidence.

Is this what's happened to the world's most famous investor, Warren Buffett? The 'Sage of Omaha' has long been critical of what he calls "the private equity crowd". Short-termism, under investment, excessive reward and overleverage leaving companies vulnerable are some of his criticisms. He summarised his disdain in an interview with *Time* magazine at the end of 2011: "I don't like what private equity firms do in terms of taking every dime they can and leveraging (companies) up so that they really aren't equipped, in some cases, for the future."

Buffett is renowned for his ability to assess people, so perhaps he felt the private equity approach needed to be seen from the inside to be properly evaluated. Or perhaps he was worried, as CEO of Berkshire Hathaway, that it was falling behind in the returns game.

Berkshire Hathaway's long-term performance is the stuff of legend, but its recent performance does not stand up to scrutiny. The annual gain in book value for each share averaged 19.2% in the 50 years since Buffett

Perhaps Warren Buffett was worried, as CEO of Berkshire Hathaway, that it was falling behind in the returns game

took the helm in 1965, due in no small part to the almost magical effect of compound interest. Compare Berkshire Hathaway's more recent five-year rolling average with the S&P 500 and the performance is unimpressive. Between 2010 and 2015 Berkshire Hathaway underperformed the S&P 500 in three of the five years. Buffett's aversion to investing in tech may have something to do with that. But is it time for the great investor to change his mind?

MEGAMERGERS

In August 2014, Berkshire Hathaway provided $3bn of preferred equity finance (a junior instrument paying 9% interest per annum) to finance Burger King's acquisition of coffee chain Tim Hortons. As well as being in partnership with one of the private equity crowd's biggest stars, Brazilian outfit 3G Capital, the deal was structured as a so-called "tax inversion", allowing the official domicile to move from the US to Canda, while most of the operations remained in the US.

Buffett, who has been vocal in arguing that wealthy individuals and corporations should pay more tax, not less, was widely condemned online and in the media. Investors likely had fewer concerns and tend to trust Buffett's judgement, rightly in this case.

Corporate financiers will remember the 2010 exit from Burger King. TPG, Bain Capital and Goldman Sachs sold the restaurant chain for $3.3bn, pocketing a $1bn gain and returning more than five times the money on the investment. In some people's opinion, Wall Street's finest had managed to palm it off on some upstart from south of the equator, and until recently many had probably forgotten 3G's name. Just over six years later and Burger King's owners, which included 3G, Berkshire Hathaway and Pershing Square's Bill Ackman, saw the value of the business rise to $14bn.

It's not the first tie up between Buffett and 3G. On Valentine's Day 2013, Berkshire Hathaway and 3G announced they were buying the iconic brand HJ Heinz for $23.3bn ($28bn including debt), a 19% premium to the stock, which was at an all-time high.

$3.3bn

How much Burger King was sold for in 2010

$97bn

The value of Kraft Heinz Group at the start of 2018

Berkshire and 3G each invested $4.4bn of equity with debt from JP Morgan and Wells Fargo. Berkshire Hathaway also invested $8bn in preferred stock, again paying 9% per annum. Another $10bn went into Berkshire's investment in 2015 to finance Heinz's merger with Kraft Foods, which created a $46bn food giant. At the start of 2018, Kraft Heinz Group was valued at $97bn.

3G's modus operandi of buying market leaders in mature industries, bolting them together and driving profits through efficiency savings is well known (see 'The good and the bad', below) and speculation about the next target abounded before the ink on the Kraft deal was dry. Potential targets included Mondelez (which had been spun out of Kraft in 2012), General Mills, Kellogg's, Flowers Foods, Diamond Foods, Synder's-Lance and Campbell's.

TOO BIG TO BUY?

Buffett often talks of his "elephant gun", loaded with cash to buy the best assets at the right time. It was quite

ALAMY

THE GOOD AND THE BAD

The PR around Kraft Heinz's bid for Unilever pitched the deal as "good" against "bad" capitalism, but are these global conglomerates really that different from each other?

Kraft Heinz CEO Bernard Hees was paid a total package of $5.3m in 2016. Non-executive directors were paid a shade under $2m. Unilever CEO Paul Polman is fond of saying he would work for free, but the company has yet to take him up on his offer. In 2016 he took home an €8.4m package (less than the €10.5m received in 2015).

Kraft Foods was given a CSR Ranking of 50 by CSR Hub in 2017. Heinz scored 49 overall for its CSR, having fallen from 55 when 3G took over control.

Unilever gets a score of 68 from CSR Hub, well above the 53 average for consumer goods companies.

an achievement by Berkshire Hathaway and 3G to find a target the analysts and speculators hadn't seen - Unilever. The Anglo-Dutch consumer products giant was so big that few people saw it as a potential target. Kraft Heinz's $143bn bid for the company in early 2017 was widely described as a "surprise".

News of the approach came on Friday 17 February. By 19 February the deal was dead in the water. In an interview with the *Financial Times*, Unilever CEO Paul Polman was scathing about the approach, referring to the bidders as "these people" and saying there is "clearly a clash between a long-term, sustainable business model for multiple stakeholders and a model that is entirely focused on shareholder primacy".

The words are uncannily like those of Buffett spoken six years earlier, and quoted at the beginning of this article. This year, the Sage of Omaha has been

The failed Unilever bid led to a fresh round of speculation about Kraft Heinz's next target. With the extent of its ambitions revealed attention has focused on other mighty beasts

vigorous in his defence of 3G's approach, saying it has done a much better job managing Kraft Heinz than he could have. It may not mean that Buffett has abandoned his principles entirely, more that he is compromising them because there are simply not enough elephants left to shoot.

The failure of the Unilever bid led to a fresh round of speculation about Kraft Heinz's next target. With the extent of its ambitions revealed attention has focused on other mighty beasts. In a June 2017 report, ratings agency Standard & Poor's identified the aforementioned food companies, singling out Mondelez as the most likely, and added a small number of others. Two to be precise: Colgate-Palmolive and Pepsi-Co. That's the trouble with big game - shoot too many and it's not long before you can't find any to hunt.

In February Berkshire Hathaway announced its net earnings had increased 87% to $45bn in 2017, and Buffet announced they would be looking for two more major acquisitions. In January Greg Abel, chief executive of Berkshire Hathaway Energy, and Ajit Jain, the reinsurance chief, were both promoted to vice chairs. Future leaders? Time will tell. ●

$143bn

The amount Kraft Heinz put forward to buy Unilever

$11bn

Kraft Heinz's lost market value in the year up to January 2018

CAST AND CREW

So who were the advisers on the Warren Buffett and 3G deals?

On the ill-fated Unilever deal, Lazard were financial advisers to Kraft Heinz. It took a three-pronged approach with Alex Hecker, William Rucker and Will Lawes on the team. Hecker leads consumer and retail investment banking at Lazard, and worked with 3G and Berkshire Hathaway on the Heinz acquisition. Both Hecker and Rucker advised on the AB InBev-SABMiller megamerger. Rucker is head of Lazard in London, and is often involved in cross-border deals with Lazard in New York. Lawes joined Lazard in January from Freshfields Bruckhaus Deringer, where he was a senior partner.

Unilever used Centerview Partners and Morgan Stanley as financial advisers. The Centerview team included Nick Reid, David Krap, James Tookman and Robert Pruzan; and Morgan Stanley's Henry Stewart, Mark Rawlinson, Adrian Doyle, Anthony Zammit, and Benjamin Frost. UBS and Deutsche Bank acted as financial advisers and corporate brokers to Unilever. John Woolland led UBS's team. Deutsche's was led by Charles Wilkinson and Ben Lawrence, who worked on the AB InBev-SABMiller deal.

On the takeover of Heinz, Lazard was lead financial adviser to 3G and Berkshire Hathaway, as well as the other investors – JP Morgan and Wells Fargo. Kirkland & Ellis acted as legal adviser to 3G, while Munger, Tolles & Olson acted for Berkshire Hathaway. Centerview Partners and BofA Merrill Lynch acted as financial advisers to Heinz, with Davis Polk & Wardwell acting as legal adviser.

READING OUT LOUD

The Thames Valley is a busy hub that links business, communications – and corporate finance – between many parts of the UK. Jason Sinclair reports on the deals and dealmakers making it a vibrant destination for inward investors

The M4 corridor is one of the most highly developed business regions in Britain. Its success in the past has been boosted by its role as a major transport hub - the River Thames, rail and road - but to many it is considered somewhere between being its own distinct region and being an adjunct of London. Reading sits in the centre, and over the past 20 years the UK's largest town without city status has grown into a heartland for financial services.

"The region's profile has changed somewhat," explains Rebecca Guerin, an RSM corporate finance partner. She spent 12 years in the southern region in transaction services teams at Arthur Andersen and EY, before returning to Reading eight years ago. "As far as primary investors are concerned, some of the players had left the market by the time I returned. LDC, having been here for many years and with eight senior deal-doers, is the most active house for mid-market deals, investing in the £2m-£100m range. Firms such as the Business Growth Fund and NVM Private Equity also have offices in the Thames Valley, while many of the London-based private equity houses also market extensively in the region.

"The local banking market is also well established and drives activity. A lot of the advisory community are the same faces [as during her last stint in the region]. There is continuity here in a very strong regional adviser base - it's a big centre for corporate finance."

Pitmans Law partner Roger Gregory sees the location as a huge positive. "People who work in Reading and the Thames Valley see it as a very distinct area, but not to the exclusion of people coming in from the outside, especially if they've got finance," he says. "We're well served by accountants, lawyers and banks. As well as having some private equity players with offices here, a lot of the houses that are based in London and don't have offices here will come, because there are a lot of interesting deals here.

"They'll sponsor events here to keep in touch with the community - so it is a separate and active area. Geography means it is serviced by people outside the area as well as inside, so the proximity to London actually works in the region's favour."

LOCAL TO GLOBAL

In May 2016, Inflexion completed the carve-out of the global market leader in agricultural data and market information, from GfK, the Frankfurt-listed global market research organisation. The new business, which had $40m turnover and 230 employees, was launched as Kynetec.

"The deal was referred to me by James Cowper Kreston (JCK), based in Reading," says Roger Gregory of Pitmans Law, who provided legal advice to the management team. "JCK had originally advised the owners of that division on its sale to GfK and were now handling the MBO."

The company was based in Weston near Newbury, but operated in 18 countries worldwide. Since the carve-out, Kynetec has made acquisitions, including Market Probe in October 2017, and the agriculture and animal health business Ipsos in North America.

Inflexion's lawyers were Addleshaws in Manchester and London, while Jones Day in Germany represented GfK. The JCK team was led by Nick Rogers.

"We have a lot of technology deals in the Thames Valley, so advisers here often have expertise in that"

Rebecca Guerin, corporate finance partner, RSM

"It's a really vibrant area for inward investment"

Roger Gregory, partner, Pitmans Law

The Thames Valley has attracted a lot of non-UK corporates - both as a location for UK headquarters, and a market to look for acquisitions. It is simple for overseas firms, says Gregory. "They fly into Heathrow and just turn west instead of east."

The Business Magazine, in conjunction with HSBC, Gateley Plc and Moore Stephens, produces an annual list of the top 250 foreign-owned businesses in the Thames Valley. Annual turnover of these businesses has remained above £22bn since growing from £18bn to £26bn between 2012 and 2014. As Gregory adds: "It's a really vibrant area for inward investment, something actively encouraged by the Thames Valley Chamber of Commerce."

SO WHAT ABOUT M&A?

Global M&A deal flow might be on the up and, narrowing the focus to the UK, foreign exchange might have attracted more corporates. Specifically in the Thames Valley, the infrastructure improvement of Crossrail - which will link Reading to the City of London and Docklands by December 2018 - will be another boost.

Sami Fairris, a Reading-based corporate finance director at KPMG, detects a strong inbound interest in deals from the US, particularly in the Thames Valley's significant tech sector. Scale-up businesses benefit from this American presence. Fairris says he

ALAMY

LDC – 18 YEARS IN READING

LDC is a very active backer of growing businesses in the Thames Valley. Yann Souillard, head of LDC in London and the South, said of the firm's activity in the Thames Valley over the past 18 years: "We have developed a wealth of experience and knowledge that allows us to fully understand the region, the towns within it and the local nuances that are so important when it comes to investing.

"We invest across eight Local Enterprise Partnerships in the South, but the Thames Valley is core deal-making territory for us, which is why we have strategically located our office in Reading, in the thick of it all.

"We're fortunate Reading has a strong corporate finance community that knows the region inside out. Our longstanding presence here has allowed us to build a vast network of contacts and these people have been instrumental in our success over the years.

"While LDC supports businesses across a broad range of sectors, our team has a wealth of experience with technology firms and it's one of our most active sectors in the region. Many global technology firms are located here and the proximity to hubs like the Thames Valley Business Park significantly enhances the entrepreneurial nature of businesses in the area.

"The region is also home to a wealth of ambitious firms who are looking to scale their businesses, both at home and abroad. We recently completed an £11m minority investment in Lucid Group Communications, which provides strategic medial communications services to global pharmaceutical companies."

often facilitates introductions to his KPMG colleagues in California and New York. He also sees the number of international bidders winning sale auctions in the region going up. "There are some buyers putting a pause on the UK because of uncertainty, but many more acquirers take a longer term view, and the fact that the foreign exchange rate has moved gives [them an] advantage and means they can bid higher and win the bids."

ACQUIRING TOO

KPMG has a broad client list in Reading, with Fairris' pending deals covering tech, online consumer, facilities management and professional practice companies. He also sees the region benefitting from a cascade coming out of mega-corporates through the mid-market to scale-ups and start-ups: "We have

"There are some buyers putting a pause on the UK because of uncertainty, but many more take a longer term view"

Sami Fairris,
Reading-based corporate finance director, KPMG

the range, because you have a pool of talent and it's self-sustaining." Similar things could be said about the region's corporate finance community itself.

Guerin says: "There is strong deal flow and a solid corporate finance community in the southern region. Work on local deals tends to be referred within the community whenever possible. Accountants, M&A boutiques and lawyers rely on each other as well as investors for deal flow, and recommend each other.

"We have a lot of technology deals in the Thames Valley so advisers based here often have an expertise in that, but there is a diversity of other sectors too including business services and manufacturing."

LDC, Connection Capital, Maven, Mobeus and NVM are among the major names on the private equity side involved in recent, notable deals, while corporate finance teams from Spectrum, HMT, Transcend Corporate and James Cowper Kreston, as well as the big accountants' advisory finance arms, are also active.

Stuart Williams, a corporate finance partner at James Cowper Kreston, reports a healthy pipeline of transactions, and says they have recently advised on buy-side transactions in the region, as well as sell-side. He says reciprocity is commonplace, and the collegiate aspect of Reading corporate finance life can "smooth through the deal process".

"The wider investment and advisory community meet throughout the year where possible, and from that, contacts and relationships and potential buy and sell matches can happen."

COMMITMENT

In 2010 Spectrum Corporate Finance was set up in Reading by three of the region's most experienced corporate financiers, Simon Davies, Clive Hatchard and Ian Milne. Eight years on it has grown to 16 people with offices in Southampton and London, the latter focusing on TMT and debt advisory, but the head office is most definitely still Reading – Spectrum has just moved into a bigger office in the town, underlining its commitment to the region.

"We saw Reading as a key market when we set up Spectrum, and it still is. We prefer to be in the region, rather than London, as you have much more direct relationships with businesses. We are generalists, and our mantra is we do whatever the region gives us. We cannot pick and choose on sectors or size. We genuinely do deals from £2m to £150m."

In Davies's view "if anything, Reading is underserved by corporate finance", which presents a big opportunity. He says: "There is not a big corporate finance presence from the Big Four and no other boutique is based here. There is a good market all around, and you can quickly get into London."

Recent deals on which Spectrum advised have included the sale of Tructyre Fleet Management to Michelin Group in France, of Arts Alliance Media to Luxin-Rio of China, its first £100m+ sale – ICS Cool Energy to Ingersoll Rand of the US – and the acquisition of Village Vets by Sovereign Capital-backed Linnaeus Group. ●


Finno

FINTECH HAS BEEN A HEALTHY SOURCE OF VENTURE CAPITAL, M&A AND IPO DEALS. DAVID PROSSER ASKS IF IT WILL ACCELERATE

A new year can mark a new direction for financial markets, but 2018 began just where 2017 left off. After record levels of dealmaking in the fintech sector over the past 12 months, the first IPO announced on the London Stock Exchange in January was the £500m float of IntegraFin, which produces software for tax and trading. This will perhaps set the tone for dealmaking in 2018, with fintech expected to loom large in fundraising, M&A activity and venture capital investment.

While the fintech phenomenon is global, data suggests that Europe - and the UK in particular - is currently the hottest deals market. At the venture stage, the first nine months alone of 2017 saw $1.8bn invested in European fintech companies according to CB Insights - more than in any full year on record. Almost half that total, $872m, was racked up in the UK. Indeed, eight of the 10 largest venture capital funding rounds, including the $66m funding raised by the digital bank Revolut and the £50m raised by accounting software business Receipt Bank.

As for M&A, research from corporate finance group Hampleton Partners reveals that at a global level, there was an 8% increase in the number of deals done during the first half of last year, compared with the previous six-month period.

In Europe, KPMG analysis suggests fintech M&A volumes had reached $3.1bn by the end of the third quarter, well on target to beat 2016's total of $3.5bn. Notable transactions included mega deals such as Mastercard's £700m purchase of payments technology specialist Vocalink, as well as relatively smaller transactions, such as Fiserv's £70m takeover of mobile payments firm Monitise.

"Generational transformation of customer expectations is now a crucial driver"

Nicky Cotter, co-founder, Icon Corporate Finance and the FinTech 50

"Payments is a more mature area of fintech, so this is why we're seeing the most significant M&A volumes"

Jeremy Sweetnam, corporate finance director, PwC

BROAD CHURCH

Fintech should not be considered a homogenous sector. In practice, it spans a broad range of financial services, including payments technology providers that facilitate a host of different types of money transfers, banking fintechs focused on various aspects of the retail banking sector, 'wealthtechs' targeting asset management and financial advice; 'insuretech' businesses developing at every stage of the insurance industry value chain, and 'regtech' firms that are offering new solutions in compliance and related areas.

The different levels of maturity of the sub-sectors determine the type of dealmaking that is most prevalent in each case, says Jeremy Sweetnam, a fintech-focused corporate finance director at PwC. "Payments is a more mature area of fintech, so this is where we're seeing the most significant M&A volumes," he says. "Elsewhere in fintech, you're more likely to see venturing-type investment, either from traditional venture capital funds or increasingly from the corporate venturing arms of the big financial services companies."

It's an important point: the cast of investors in fintechs is increasing in both number and variety.

At the early stage, financial services businesses are now major investors, with leading banks, insurers and assets managers operating corporate venture arms that are prepared to take a considerable number of strategic stakes in firms that have technologies they believe may help them unlock digital value. If those technologies aren't worth pursuing, then investments are small enough for a mainstream financial services business to simply write off.

vation

REGULATION ACROSS THE WORLD

In the UK, the Financial Conduct Authority (FCA) has worked hard to support fintech start-ups going through the regulatory process for the first time. The FCA's regulatory 'sandbox' enables unauthorised businesses to secure a limited level of authorisation so that they can test innovative products and services in a 'live' environment. The regulator has also supported some new, not-yet authorised companies as they tried to develop innovations that don't easily fit into the existing regulatory framework.

Not all regulators are taking such a benevolent view. Germany's BaFin, for example, has a more conservative approach to regulating fintech, emphasising its duty to prioritise consumer protection ahead of support for innovation. In the US, the Office of the Comptroller of the Currency has promised to launch a UK-style sandbox, while the Consumer Financial Protection Bureau has a scheme that gives fintechs an opportunity to seek regulatory advice about innovation. Nevertheless, the patchwork quilt of financial services regulation in the US, spanning a panoply of state and federal regulators, makes it difficult for fintechs to be confident about compliance.

A global survey *Regulatory and business challenges to fintech M&A*, published in 2016 by the law firm White & Case, found fintechs were anxious about a range of regulatory issues, including data protection, consumer protection, intellectual property and cyber security. That poses a headache for would-be acquirers because their due diligence must include assessment of potential exposures across all these areas.

Such deals are evident throughout fintech and are truly global. In banking, Santander's InnoVentures has made more fintech investments than any other European competitor according to CB Insights, followed by similar operations at UBS, Deustche Bank, Société Genérale and Credit Suisse. Asset managers, such as BlackRock and JP Morgan Chase, are among the most active participants in wealthtech, while insurance giants, including Allianz and Aviva, are taking a similar approach in their sectors. The competition from Asia is particularly fierce – last year, Japan's SoftBank made three significant fintech investments: insuretech business Lemonade, online lending platform Kabbage, and solarisBank.

In some cases, the big financial services firms are also prepared to make outright acquisitions, because the corporate venture models may not guarantee them exclusive access to a fintech's intellectual capital. Kabbage, for example, counts Santander and ING among its investors alongside SoftBank.

"There has been a progression towards this final stage which has been an education process for both parties over the past couple of years," adds Sweetnam. "There is growing recognition now at board level of the big financial services firms about the imperative to make these investments, where in the past executives might have been dismissive. Meanwhile, the fintechs recognise that while their technologies offer the potential to disrupt the incumbents, customer acquisition is very hard work and expensive, and collaboration may therefore be a better model."

£3.1bn

European fintech M&A volumes by the end of Q3 2017

"We still think London will be a pre-eminent market for fintech, and therefore investment"

Nick Jones,
partner, Cavendish Corporate Finance

WHO'S INTERESTED?

This trend has complicated the dealmaking landscape for fintechs. Early-stage businesses may be courted by technology-focused venture capitalists, corporate venturing arms of financial services firms and outright acquirers. More mature businesses showing top-line growth and moving towards profitability are on the radar of financial services buyers too, but private equity buyers are also in the hunt.

"Competition for the best assets is intense," says David Lambert, a partner in the transaction services team at EY. "The incumbents are under pressure to acquire these technologies because digitalising their own legacy systems is extremely challenging; but after a record year for fundraising in 2017, venture capital and private equity buyers have plenty of capital at their disposal, and they're excited about the prospects for fintech that are quickly scalable – particularly firms with back and middle-office technologies that can be rapidly internationalised and deployed across different sectors."

Trade buyers may be prepared to pay higher prices. They are under pressure to embrace digital transformation, and may also have a specific application for some fintech innovation that allows them to see greater value in a business than private equity would. Private equity bidders generally feel constrained by the need to plot a path towards a profitable exit a few years ahead, because of the

19

Number of top 20 FS institutions using First Derivatives' Kx

"For us, the attraction is gaining exposure to exciting high-growth companies with an enhanced risk-return profile"

DOUBLE BARRELLED

The Business Growth Fund's (BGF) partnership with data processing specialist First Derivatives in Northern Ireland is a good example of fintech growth underpinning imaginative collaboration between investors and tech developers. The agreement, under which BGF will continue with its policy of making minority investments and taking long-term stakes in its investees, is its first collaboration with a corporate partner.

First Derivatives' Kx database technology is used by 19 of the world's top 20 financial services institutions. The company is now expanding the applications of its technology in additional verticals – particularly through partnerships with small early-stage companies which are seeking to disrupt other industries by incorporating Kx.

Enter BGF and its patient capital growth fund, which has a £2.5bn balance sheet courtesy of its bank shareholders. "First Derivatives is prepared to offer these businesses a range of benefits, from differential pricing structures to softer infrastructure support, as well as some funding, because it sees the opportunity for its technology to proliferate in new industries," explains BGF investor Paul Stevens (pictured below). "For us, the attraction is gaining exposure to exciting high-growth companies with an enhanced risk-return profile achieved by leveraging the proven Kx technology and First Derivatives' domain expertise."

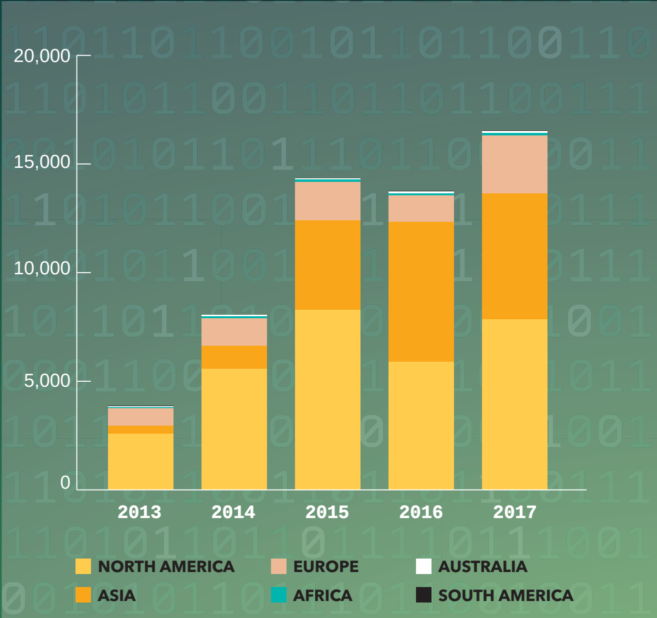
The first deal under the new partnership was completed in December, with Belfast-based AuditComply receiving financial backing from BGF and access to the Kx technology. It will help AuditComply accelerate its growth in the engineering, manufacturing and foods sectors, where it plans to offer new real-time analytics tools.

SOURCE: KPMG PULSE OF FINTECH STUDIES

FINTECH – A RANGE OF DEALS IN 2017

Fintech acquired	Acquirer	Value
Vocalink	Mastercard	$1.2bn
CCH Tagetik	Wolters Kluwer	$321m
Monitise	Fiserv	$97.3m
BillPay	Klarna	$64.7m
TradeExtensions	Coupa	$45m
APL Italiana	SimCorp	$41.3m

EUROPE FINTECH FUNDING GREW OVER 120% IN 2017 ($m)



FINTECH TRENDS TO WATCH IN 2018, CB INSIGHTS

$1.2bn
Vocalink's value when acquired by Mastercard

$64.7m
Value of BillPay, which was acquired by Klarna

PAYING TOP DOLLAR

The fierce competition for leading fintech assets has, predictably, driven up prices, particularly since incumbent financial services company buyers are often motivated by strategic considerations rather than short to medium-term financial gain. Therefore, they may be prepared to pay a premium compared with private equity buyers who are focused on securing a return from an exit a few years down the line.

Hampleton Partners' data suggests fintech companies continue to attract good prices. The typical purchaser of an online financial services business paid a multiple of 12.8x EBITDA last year according to Hampleton – the same as in the first half of 2016, although multiples peaked at 13.4x in the second half of that year.

There are no guarantees. At Cavendish Corporate Finance, Nick Jones says it is harder to make the case for fintechs with less intellectual property, such as companies focused on back and middle-office process. "Where a business has relatively straightforward technology, say, because its value lies in reordering third-party technologies into a better performing stack, it can be tougher to convince the buyer to pay double-digit multiples," he says.

However, even these businesses are now commanding premium prices, Jones says, because while buyers recognise lower barriers to entry make their business models replicable in theory, it is still more cost effective to make an acquisition than to build for yourself.

Matthew Tucker (pictured below), an associate partner in the transactions team at EY, explains why thorough due diligence is even more crucial in the fintech sector than others. "On top of the usual accounting and legal diligence, the additional challenge with fintech acquisitions is trying to assess the commercial opportunity," he says. "What's the size of the addressable market for an application that may be very new or have varied use cases? How will the business acquire customers in order to scale? How will its target market grow? And while many fintechs have substantial data assets, has the business found a strategy for unlocking the value their data holds?"

"Very often, these businesses are led by highly entrepreneurial founders and their whole culture stems from that"

Andrew Backen, partner, Equistone Partners Europe

limited lifetime of their investment funds. In contrast, "the conversation for private equity may be about who is going to add the most value to the business", adds Lambert.

Alternatively, argues Andrew Backen, a partner focusing on financial services at the mid-market private equity house Equistone Partners Europe, cultural fit may be a differentiator. "Very often, these businesses are led by highly entrepreneurial founders and their whole culture stems from that," he says. "The right private equity house may be better able to preserve and evolve this than a trade buyer."

Backen expects no let-up in dealmaking activity in 2018, with fintech founders looking for more funding or to realise some hard-earned value, and buyers competing to provide this capital. "We see ever more intelligent, and automated, use of data as a big theme," he says. "The advent of open banking rules across Europe opens up new opportunities for businesses able to leverage data and to offer better customer outcomes, while more sophisticated and automated use of data still has huge potential in areas ranging from insurance underwriting to regtech."

WIDER FINTECH INTEREST

Nicky Cotter, co-founder of Icon Corporate Finance, as well as the FinTech 50, which selects the 50 most exciting European fintech firms, also believes M&A will increase significantly in 2018. "The shift towards these smaller fintechs being of such interest to the big league financial services firms has just been extraordinary," she says. "But that generational transformation of customer expectations is now a crucial driver – these are customers whose default means of interaction is digital in everything they do. If Amazon, Facebook or Google give you a bank account, a lower cost loan or debt payment you will start seeing their formidable impact within fintech."

Facebook has made significant investments in payments technologies, while Amazon has more than 33 million users of Amazon Pay and lent over $3bn to small businesses since 2011. Last year, Google's corporate venturing arm ploughed £20m into Currencycloud, a London-based fintech that helps businesses make cross-border payments. Samsung, meanwhile, has a $150m corporate venture fund that last year announced it would begin looking for European fintech investments. Chinese internet group Alibaba has an acquisitive payments business, Ant Financial. Its plan to buy MoneyGram for $1.2bn has, however, just been knocked back by US regulators.

"The conversation for private equity may be about who is going to add the most value to business"

David Lambert, partner, EY

$3bn

Amount lent to small businesses by Amazon since 2011

£20m

How much CurrencyCloud raised from Google's VC arm

AVIVA ACQUIRES TECH

The acquisition of Wealthify by Aviva in October 2017 raised eyebrows for all sorts of different reasons. For one thing, Wealthify only received formal FCA authorisation in 2015 and was still crowdfunding its development capital on the equity network Seedrs a year later. For another, Aviva has never had presence in financial planning, having always operated as a product provider. Most surprising of all, one of the company's most senior executives had been quoted only 18 months previously saying that robo-advice was years away from becoming a reality.

Nevertheless, Aviva set its heart on acquiring Wealthify and moved quickly. Financial terms have not been disclosed. Technology experts have warned that it would take the company 18 months to build its own version of the platform. As for Wealthify, it saw an opportunity to build a customer base more rapidly than it could have dreamed if acting alone.

"The challenge with a lot of start-ups is how do you scale up and that's the role Aviva has to play here," says Blair Turnbull, UK digital managing director at the insurer. It is promising to install the company's technologies, which helps investors build model portfolios of savings, on its MyAviva digital platform.

"This is a deal that probably would not have happened a couple of years ago," says PwC's Jeremy Sweetnam. "The views in the market have completely changed: the incumbents take the disruptors seriously and increasingly see buying as a better defence than building, and the fintechs have understood that it is the incumbents which have the customers."

Nick Jones, a partner at Cavendish Corporate Finance, which specialises in advising vendors in the UK, predicts London will become a primary focus for acquirers, having maintained its leading position as a hub of fintech innovation despite initial fears that Brexit might dent its reputation. "It's partly about the smart technology here but also the fact that UK consumers are such mature users of online financial services and that regulators are so supportive."

Certainly, the international competition is tough. Across Europe, cities such as Berlin are challenging London, but the strong fintech hubs of the US, including both New York and San Francisco, and Asia, where Singapore, Sydney and Hong Kong are vying, make this a global battle. ●

FARMING FEAST

Food and agriculture is a multi-trillion-dollar global business. But what is the landscape like in 2018 for investors and dealmaking? Christian Annesley harvests some views

Of all the world's industries, the one that touches everyone on the planet is food. The fact that everybody has to eat creates a captive market. Just consider the numbers - there is an economic impact of at least $5trn on the value chain. This can be linked to 10% of global consumer spending, 40% of employment and 30% of greenhouse gas emissions.

Over the past half-century, productivity improvements have dramatically increased per-hectare food supply in many parts of the world, but feeding the growing population is still a critical issue for decades ahead. Should current trends continue, by 2025 the global caloric demand will increase by an estimated 70%. Additionally, crop demand for human consumption and animal feed will double.

In short, this is a landscape where the demand side is growing and very robust. Unsurprisingly, the investment pipeline has grown too. Analysis by McKinsey shows that global investments in the food and agribusiness sector have swelled many times over since 2004. On average, food and agribusiness companies have demonstrated higher total returns to shareholders than many other sectors.

"There has been lots of M&A activity in life sciences and research"

Carl Atkin, director, Terravost

"I have worked with clients across the whole agribusiness value chain, including life science companies and food processors, plus some private and corporate farming businesses," says Carl Atkin, director at Terravost, which provides agribusiness-related management consultancy services. "If you start at one end of the value chain, there has been lots of M&A activity in life sciences and research, where the Big Four operators - DowDuPont, ChemChina-Syngenta, Monsanto and Bayer - are set to become a Big Three with the proposed merger between Monsanto and Bayer. This is at the seed and chemicals end of activities, and the consolidation is driven by economies of scale, synergies in research and development, and keeping down regulatory costs."

GET ORF MY LAND!

In terms of farmland, Atkin notes that outside of a few key geographies like the US - where the long-term institutional investment in farmland is possible due to the near-perfect correlation between agricultural commodity prices and the per-hectare price of land - the flow of investment and M&A activity has shrunk. The drop off in part reflects four years of lower agricultural commodity prices combined with a realisation among investors that it's relatively hard to make investments work in many emerging markets.

"It's partly because performance in farming is tied to experience and certain operational maturity, as well as investment in technologies," says Atkin. "And that's not an easy mix to land."

Today, says Atkin, there is probably a better understanding than ever about the competencies needed to manage farms effectively in different geographies - but that's different from opportunities being investible. While agriculture is a biological system, it is subject to huge variables in outputs,

RESPONSIBLE STEWARDS

It has been four years since the Wellcome Trust's acquisition of the Co-operative Group's farms business for £249m. The deal illustrated that large agri deals are for the long term – ideally including strategic gains across the value chain. At the time, Danny Truell, chief investment officer of the Wellcome Trust, said: "We have a strong track record as a long-term investor which values responsible stewardship over quick profits."

With the deal, the business was immediately rebranded as Farmcare Trading, and focused on the stewardship of the acquired farms. But the Wellcome Trust's wider diversified portfolio of activities was also important, with substantial investments in biomedical science and learning, from which its agriactivities continues to benefit.

£249m

Amount Wellcome Trust paid for the Co-operative Group's farms business in 2014

Should current trends continue, by 2025 the global caloric demand will increase by an estimated 70%. Additionally, crop demand will double

leading to price volatility. Therefore, it is tougher for traditional investors than something more predictable, like forestry.

Still, if the long-term prospects look good, it follows that investments and M&A opportunities need to be similarly long term. "Agriculture has always been a long-term play, and that's as true as ever," adds Atkin. "There are opportunities around disruptive technologies in agriculture, as there always have been, but many investments must be for the long haul."

Because the global food system is so complex there will always be opportunities for market disruptions that generate returns at different stages of the value chain. Hamish Webb, partner at Terra Protein Equity Partners (formerly JB Equity) - an Edinburgh-based business focused on opportunities in agriculture and agritechnology - points out: "Animal protein is a dynamic space with big opportunities because the world's growing middle class is eating more meat. Investment in meat - in protein - has been neglected historically for being volatile and hard to quantify, with lots to think about in relation to animal husbandry, but prices right now are at record highs and farmers accordingly want to expand. It all lends itself to investment."

He says that Terra Protein is actively looking at opportunities in genetics, as well as buying into already-established farms that have a demonstrable track record and strong management. If that's too abstract, Webb gives an example: Terra Protein has completed an investment project in Chile that's underpinned by the potential to boost the number of piglets a sow gives birth to each year from 20 to more than 30.

"It's a project between the Chilean pork-production business Coexca and a Danish agribusiness fund, with more than $40m to be invested over five years. But the opportunity is clear and not at all speculative," says Webb. "Coexca is strong already, but with just the right strategic investment to boost productivity it can grow so much faster."

Webb says the number of motivated sellers in the open market is limited, which affects the opportunities they look at. "They are the quiet achievers who would like to grow, but only with the right partner. We hopefully fit that role well because we are vets, geneticists and farmers ourselves, so we help identify the right partner, the right development plan - and we stay invested alongside both throughout the investment period."

"We value responsible stewardship over quick profits"

Danny Truell, chief investment officer, Wellcome Trust

"There are so many ways to cross-pollinate opportunity. That's what will drive the next wave of deals"

Ruairí Ó'Dochartaigh corporate finance director, Deloitte

THE VALUE CHAIN

Integrated value chains present an M&A opportunity in the food and agriculture sectors. Ruairí Ó'Dochartaigh, a corporate finance director at Deloitte, says some opportunities in agriculture lie in vertical integration - such as those already seen in the dairy market with farmer co-operatives such as Arla.

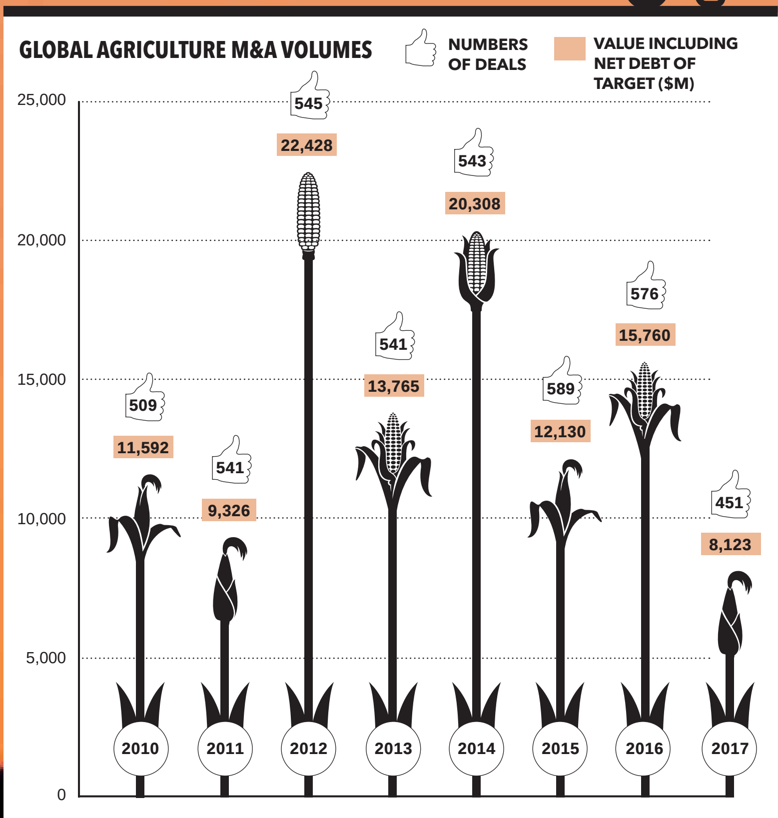
"If you look at investment into food and agriculture, this has historically been underserved by private equity, but that's starting to change," he says. "There are so many ways to cross-pollinate opportunity, and that's what will drive the next wave of deals. There's lots of opportunity out there in global terms - whether cross-border or some other way of slicing things."

Ó'Dochartaigh notes that US-UK deals are happening with some frequency in both directions, while China and Japan are looking at investment opportunities in Europe: "The way some of these would-be deals in agriculture and food get valued sometimes isn't based on some pure measure of earnings - it's more likely to be about investment in assets for the long term - but the deals are getting done."

He cites the yet-to-complete acquisition by ChemChina of the Swiss seed and pesticide maker, Sygenta, as an example. As the $44bn deal inches towards the finish line, it has the potential to transform China into an agrichemical powerhouse, assuming it can overcome regulatory issues in Europe and the US. "These are big plays, even if the market is still quite polarised between the megadeals at one end and all the family-owned businesses at the other. But there is still a lot of change in the pipeline - and from here food and agriculture will always be an industry on the move. How could it not be?" ●

"It's likely to be a severe market disruption that's coming with Brexit"

Charles Whitaker, partner, Brown & Co



SOURCE: THOMSON REUTERS

GETTY, ALAMY

GREAT BRITISH ROAST?

For agriculture in the UK, these are uncertain times. That is reflected in M&A and investment. Brexit is one disruptor; the subsidies system to farmers under the Europe-wide Common Agricultural Policy is seemingly set for swift replacement once the UK's political separation from the rest of Europe is confirmed (and if that separation does indeed turn out to be relatively swift). But what will land in its place?

Charles Whitaker, a partner at agri-sector adviser Brown & Co and chief executive of Agriculture Asset Management, says: "It's likely to be a severe market disruption that's coming with Brexit, but the question is how long that disruption will last. Whatever happens, there will be a very major challenge to the profits of farm units – and it exacerbates the generational change that's happening in the UK, as land in long-term ownership could start to change hands more frequently."

The risk is that much of the UK's farming acreage relies on subsidies to make a profit, as well as the availability of European labour. A continued weak sterling could prop up UK-related dealmaking. Last year, US processor Pilgrim's Pride acquired Northern Irish processor Moy Park from Brazil's JBS for about $1.3bn.

At the same time, land values in the UK are down by nearly a third from highs in 2015, and could fall further still. That makes UK land investment especially attractive for buyers who hold cash in euros and dollars, explains Whitaker.

"There are so many variables in the mix with the UK. Disruptive technologies hold out the prospect of delivering better yields, and lower crop risks to a new generation of precision-farming operators, but diversification is also on the agenda of many farmers, with leisure and housing opportunities to the fore."

The UK is also far from a rational market, with land values not closely tied to farming returns, and 95% of farms being privately owned family businesses in which the families have emotional investment. "You can do all the fancy economic modelling you like," argues Terravost's Carl Atkin. "But UK agriculture is quite an irrational sector."

Hot and cold

Behind JAB Holdings is the publicity-shy Reimann family. Their portfolio of multi-billion dollar businesses is well-known for its stellar cast of advisers, and the performance of one boss in particular, Bart Becht

SMELL THE COFFEE (AND THE DOUGHNUTS)

While many of the deals have been for undisclosed amounts, Luxembourg-based JAB has done at least $40bn of deals in the five years since it was founded – including many in which the price was not disclosed.

JAB, as the family office of the Reimann family, the descendants of the founder, Dutchman Johann Adam Benckiser, also holds minority stakes in the Nasdaq-listed Coty, and Reckitt Benckiser, previously headed by Bart Becht.

Date	Acquisition	HQ	Value
01/18	**OldTown**	Malaysia	**$381m**
01/18	**Dr Pepper Snapple**	US	**$18.7bn**
11/17	**Au Bon Pain**	US	**Undisclosed**
11/17	**Bruegger's Bagels**	US	**Undisclosed**
06/17	**Balzac Coffee**	Germany	**Undisclosed**
04/17	**Panera Bread**	US	**$7.5bn**
05/16	**Krispy Kreme Doughnuts**	US	**$1.35bn**
12/15	**Keurig Green Mountain**	US	**$13.9bn**
10/15	**Intelligentsia Coffee**	US	**Undisclosed**
10/15	**Stumptown**	US	**Undisclosed**
06/15	**Baresso Coffee**	Denmark	**Undisclosed**
06/15	**Espresso House**	Sweden	**$328m**
05/14	**Mondalez**	US	**$7bn**
04/13	**Douwe Egberts**	Netherlands	**$9.8bn**
11/12	**Caribou**	US	**$340m**
10/12	**Peets Tea & Coffee**	US	**$978m**

SOURCE: JAB HOLDINGS

WHAT THE DOCTOR ORDERED

In January 2018 JAB announced it was paying £18.7bn for the Dr Pepper Snapple Group. What was the strategy? "We are not changing our playbook. This is not a slash-and-burn exercise – this is about a new challenger in the beverage industry," JAB chairman Bart Becht told the *FT*. Dr Pepper Snapple owns the 7Up and Sunkist brands. The plan is to reverse the coffee business Keurig into Dr Pepper Snapple, thereby returning Keurig to the public markets – a 13% free float has been mooted.

FLYING DUTCHMAN

Bart Becht came to prominence as CEO of Reckitt Benckiser, which was founded almost 200 years ago. Becht was set to retire in 2011 after 17 impressive years at the helm.

Two years after becoming CEO of Benckiser, Becht oversaw the listing of the Dutch household products group on the LSE. Two years later, he was in charge of Reckitt Benckiser – the result of a £3.5bn merger between Benckiser and Reckitt & Colman, the UK food business. Core products and supply-chain efficiency was Becht's focus.

NEW INVESTMENT VEHICLE

As the saying goes: always leave them wanting more. Clearly Bart Becht (pictured) had some admirers among the Reckitt Benckiser investors, even after he departed the CEO's seat. Perhaps none more so than the Reimann family. Having sold down their stakes in Reckitt Benckiser, the Reimanns set up a family office, JAB Holdings, and asked Becht to become its chairman. Becht's predecessor as Benckiser CEO, Peter Half, joined JAB as senior partner. Oliver Goudet, a Frenchman who had previously been CFO of Mars and is now chairman of Anheuser-Busch InBev, completed the triumvirate at the top of the new investment group.

GAME CHANGER

Political instability and Brexit uncertainty seem to be the new norm in the UK, argues Gibson Dunn partner **Selina Sagayam**. But what effect could they have on M&A and capital markets?

The political noise about Brexit fears and follies continues, and if anything, has intensified. In my opinion, the backlash of some leading figures against prime minister Theresa May, as well as the apparently farcical approach the government is taking in the transition negotiations, increases the fear factor for many people. But will all this affect UK M&A and capital markets in the short- to mid-term?

M&A performance data from 2017 was very positive, and so far it is also suggesting a pretty positive outlook for 2018. Last year, there were record numbers of M&A deals despite growing dissatisfaction about political uncertainty. Additionally, 2017 saw strong performance by UK equity capital markets along with an increase in the number of IPOs and value of overall fundraises.

UNCERTAINTY = OPPORTUNITIES

There is a real sense that markets have hardened to seemingly never-ending domestic and geopolitical volatility. Uncertainty is the new norm. Markets have learnt to adapt. Acquirers are deploying deal-savvy techniques to close deals. In the context of M&A, dealmakers have been using many tools to mitigate the current spectre of turbulence: use of deferred or contingent consideration clauses, "Brexit-exit clauses" and other contractual adjustments.

Macroeconomic, geopolitical and technological uncertainty is disrupting the market. That is driving businesses with diversified interests, conglomerates if you will, to divest. This presents new opportunities for those buyers who are sitting on hefty cash balances - or 'dry powder'.

Uncertainty has also been fuelling defensive M&A activity. In 2017, there were a significant number of domestic UK M&A deals by British companies that were seeking to protect themselves from takeovers by non-UK acquirers. Some UK businesses are also looking at European targets to establish a European foothold to ease operational and other barriers that may emerge with a hard Brexit.

For capital market transactions, paradoxically, the heightened Brexit uncertainty offers a window of opportunity for those looking to fundraise before the mist starts to lift and clarity sets in on the UK position beyond the transition period. Brexit risk factors - if they feature at all in fundraising documents or annual reports - are largely boilerplate and benign in nature. That will not be the case for long, however. What we can expect to see is a wave of issuers looking to get out ahead of potential disruptions, when Brexit volatility begins to have an even bigger impact on business operations.

Buyers have taken advantage of a Brexit-induced weakened sterling and low interest rates, and will continue to exploit them at least in the short term before rate rises start to accelerate. While this is not a driver in its own right, this has led to bigger cheques being written, competitive pricing tension and more "for sale" signs. However, although exchange-rate arbitrage and cheaper short-term debt can offer an attractive layer of icing on the cake, buyers still need to have confidence in the fundamentals of any business that is being acquired.

WHAT TO PROTECT?

Some non-UK buyers may find themselves increasingly affected by a growing tide of British protectionism. This was recently manifested in the government proposals published in a green paper to enhance the scope of the existing merger regime in military and advanced technology sectors, and create a new call-in power. This would give it powers of scrutiny and intervention in a broader range of sectors, deemed to affect national interest and essential functions (the Corporate Finance Faculty co-ordinated ICAEW's formal response to the proposals, as reported in *Corporate Financier*, February 2018).

There is perhaps a window of M&A opportunity in the short term. It is unlikely that any change in the UK regime can or will happen prior to the UK exiting the EU – whether due to prioritisation of tasks or because the changes outlined in the government's green paper will require European Commission blessing under the EU Merger Regulation.

The picture is not as rosy for UK services or manufacturing companies, which are heavily reliant on EU human capital and/or have pan-European businesses

BACK TO BASICS

Has Brexit upturned the fundamentals for UK companies? Yes and no. Britain thankfully remains strong in technology, which is very good news for M&A and capital market deals in this sector and for adjacent sectors, such as fintech, health and pharma tech, where we've seen a lot of transactions.

The UK government has been deploying an array of resources to ensure that the country takes the top spot as the fintech global capital. Signs of progress in this regard are good. However, the picture is not as rosy for UK services or manufacturing companies, which are heavily reliant on EU human capital and/or have pan-European businesses. Freedom of movement will affect the former matter, while the latter will be affected by new tariffs on services and products travelling between the UK and Europe.

And what happens to regulation of capital markets? It may be all well and good accessing public markets ahead of further volatility, but is Britain the right place to take a company public in the longer term? The UK Listing Authority has been on a charm offensive to try to retain London's position and reputation as a leading destination. But in the medium and long term, the City (including capital markets) will still be heavily influenced by EU legislation, including the Prospectus Directive, Transparency Directive and Market Abuse Directive.

Furthermore, the effect of Brexit on the programme to create an EU Capital Markets Union (CMU) remains very unclear.

Taken together, these factors may well start to spook issuers, in particular foreign issuers who might have been considering using UK capital markets for access to European capital.

QUESTION TIME

So, Brexit's not been a disaster for UK corporate finance as it appears that the country's so farweathered the storm. Liberal Democrat leader Vince Cable's warning of an investment famine might seem exaggerated to some, but for many of us the question remains: how long can this surprising durability of the UK economy go on for? While anecdotal 'heat charts' from Fortune 500 or FTSE 100 senior executives support the Brexit worry factor, it is hard to find hard public data to support the case that the UK is missing out on additional investment that would have been made in the event of a Remain vote.

Through Michel Barnier, the EU 27 set out their position on the conditions of a transition deal in January. Britain could have until 31 December 2020 to transition out of the EU, or possibly even longer, at the price of "no say" on legislative reform. A transition period of more than two years would provide a meaningful amount of time for the UK financial services sector to ready themselves for a full Brexit. However, the UK government needs to get its house in order and present the EU 27 with a clear proposal by March. Otherwise the country could be stuck with a meagre *prix fixe* meal of regulation for a long time. ●

Selina Sagayam, head of the UK transactional practice, Gibson Dunn and member of the Corporate Finance Faculty's board

FOREVER BLOWING BUBBLES?

With fundraising at a high, abundant dry powder, leverage aplenty and impressive multiples, the 'b-word' is being bandied about. But **Ross Butler** disagrees that private equity is about to go pop

Calling time on private equity? Wrong. In January the front page headline of the *FT* read: 'Flood of cash triggers buy-out bubble fears'. It was the latest expression of fears that private equity was entering a dangerous new cycle. And it may well feel that way even for private equity managers, let alone the lucky corporate financiers with quality assets to sell them. Buy-out firms are paying up time and time again - with big bucks.

The best managers are faced with an insatiable demand to invest in their funds; a huge supply of credit for their portfolio companies and, all the while, the fund clock is ticking. Some buy-out firms are making hay and selling, but most are structurally compelled to buy into a heinously expensive market. The temptation is therefore to flip each investment fast, then double down for more. It's a heady mixture for all concerned.

There are signs, however, that this isn't a bubble about to burst, but more an industry ramping up.

$411bn

Private equity funds raised in 2017, according to PEI

FLIPPING HELL?

Return attribution data - such as that from EY's latest value creation study *A two-speed industry: how do private equity investors create value? A study of 2015 European exits* -suggests that the fastest flips (investments held for up to three years) achieve the largest proportion of their returns from private equity 'outperformance' - organic earnings growth, in other words. Companies that don't get flipped are more likely to rely on financial engineering or multiple arbitrage to achieve the returns.

Then there's the leverage. A credit bubble does not equal a private equity bubble. It allows buy-out firms to negotiate contractual win-wins so the investor takes the upside and the lender takes all the pain. Credit markets are cyclical of course, and lending rates won't flatline forever. The fact that interest rates globally have recently been hovering at a 320-year low says something fundamental about the perceived growth potential of the global economy. When growth is scarce, who do you turn to? Which brings us to that flood of cash. And it really is a flood.

Fundraising last year was the highest since 2008 at $411bn, according to financial information specialist PEI. The media and business school academics like to characterise institutional investors as stupid, unable to subtract fees from gross returns. In reality, the market is not dumb and investors are voting with their feet. Through boom and through financial market crash, private equity has delivered strong risk-adjusted returns.

But the biggest error in assessing private equity's sustainability is looking at it in isolation. If private equity returns are falling more slowly than for other asset classes, then growth in demand will continue. But it's more than just relativism. The success of private equity is one side of the equity coin. The other is the abject decline of public markets.

The total market capitalisation of the London Stock Exchange is lower now than 17 years ago. And this trend's not only in the UK. In just over 20 years the number of US-listed companies has fallen from 7,000 to fewer than 4,000. The decline in new listings has been precipitous since about 1996, long before people started talking about venture backed unicorns staying private for longer.

People who are puzzled by this puzzle me. Once you ignore the PR spin about investment, public and private equity markets (excluding venture and growth capital) are simply competing forms of corporate ownership. And nowhere is it written that stock exchanges should dominate corporate ownership.

$1trn

The estimated amount of unspent cash globally, according to Preqin. This boom is pushing multiples up and may push returns down

$754m

The estimated average fund size in 2017, up from $508m in 2014, according to PEI

A SIMPLE CHOICE

Regulation-based inefficiencies that seem to only ever compound in the public sphere are not just the way the world is. Over the course of two decades, institutional investors have increasingly come to recognise public markets have become more costly than private.

Advocates of the public markets, like fund manager Vanguard for instance, will tell you that in value terms, there has been no significant fall in public market capitalisations. "Relax," it says. It's just a function of smaller companies choosing to be acquired by larger ones than going public themselves. The value, in whatever form, still reaches the public sphere. Vanguard has even invented a term for this: phantom companies. It might suit passive funds to have an investable universe containing a handful of huge companies. But for everyone else, the elephant in the room is choice.

For the buy-out market as a whole, high asset prices and fierce competition are just signs of a maturing and more efficient market

It is likely to be the issue of diminishing choice, above all, that has compelled the Norway's sovereign wealth fund to finally look at making private equity allocations. In my opinion, it was always going to be the last major investor to dirty its socially progressive hands with the buy-out industry. But even it can no longer survive on the meagre diet of public companies.

Exchange-traded funds and active fund managers maintain the illusion of choice in public markets, but there are many more of them than there are public companies to choose from. To my view, they just slice and dice the same few tickers in thousands of different ways, according to their themes and hunches.

The fact that Neil Woodford, the celebrated UK active fund manager, set up a private equity fund after ditching the asset management establishment says it all. If anything is a bubble, it's the public market fee-takers. It might not pop, but it is deflating.

All this is not to say that private equity returns won't come down. They inevitably will. And as we're already seeing, a probably small number of managers will fail to raise new funds. But for the buy-out market as a whole, high asset prices and fierce competition are just signs of a maturing and more efficient market. It's not supposed to be easy.

For people on the deal frontline, it can be easier to see the leverage, the multiples, the desperation, than stand back and look at the long-term factors. Burdensome corporate governance for Plcs, flabby regulation and passive institutional investment - these are the factors that lie behind the rise and rise of private equity. ●

KEY PRIVATE EQUITY TAKEAWAYS

Return attribution shows real value continues to be created, including from 'quick flips'. A credit bubble does not equal a private equity bubble – it helps insulate private equity returns.

Private equity returns don't exist in a vacuum. Asset allocation is becoming an ugly parade, not a beauty contest. All private equity has to do is be the least ugly. Public market listings are vanishing due to poor regulation, governance and stewardship.

The rapid decline in the public markets is leaving institutional investors with little choice. Equity is a coin with two sides and private equity is the beneficiary.

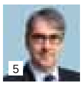
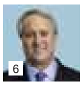
Ross Butler, founder and chief executive, technical content agency Linear B

GETTY

APPOINTMENTS





Mike Clarke (1) has rejoined **BDO** from the BGF as director in its northern M&A practice. In his two years at the BGF, Clarke invested in northern mid-market companies in a range of sectors.

Chris Cumber (2) has also joined the M&A team from Brabners as senior manager. Also, Andrew Kopciowski (3) has joined as corporate finance executive from BDO's audit team. Both are based in Manchester.

UK-based Jamie Austin (4) and John Stephan (5) and Scott Hendon (6) in the US have been appointed co-leaders of BDO's International Private Equity Competency Centre (IPECC) – a collaborative global initiative to connect private equity firms with advisers based in their target countries.

"Whether a private equity firm is looking to break into a new international market or sustain steady cross-border deal flow in familiar regions, it is essential to have a team of advisers on the ground, and IPECC is key to facilitating those connections," said Hendon.



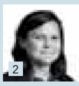

Knight Corporate Finance, a boutique advisor based in Warrington and London, has recruited Neeraj Dhuna (1) and David Middleton (2) as corporate finance manager and corporate finance executive respectively. Dhuna focuses on the TMT sector, and joined from Wilson Partners Corporate Finance. Middleton joined from Grant Thornton's North West audit department. Both are ACAs.

The firm has also promoted Tom Jones (3) to associate director. He joined from Grant Thornton in 2015, and advised on YFM's investment in 4net, the sale of Nexus to Elite Telecom, the investment by Maven in Hiring Hub and the sale of Freedom Communications.

Ajay Shah (4) has joined as marketing and business development manager from ACC Liverpool, where he was responsible for bid management.

Phil Reynolds has joined **FRP Advisory** from Deloitte, as partner in the firm's restructuring team. Based in London, he has 23 years' restructuring

PE SHORTS

Tristan Craddock (1) has been promoted from investment director to partner and Sarah Hollyhead (2) to investment manager in **Rutland Partners**' deal team.

Craddock joined Rutland in 2008 from EY, where he qualified as an ACA and worked in transaction advisory. Hollyhead joined in 2016 after seven years with KPMG, where she trained as an ACA and worked in the restructuring team.

Edward Baker has joined **Equistone Partners Europe** as an investment manager in its London office, from MML Capital Partners. Prior to joining MML in 2013, he spent six years at KPMG, where he was manager in transaction services and was one of the founding members of the firm's London-based lower-mid-market private equity team. He is a qualified ACA. He will work in deal origination and execution. The pan-European buy-out firm recently recruited Moritz Treude as associate in Munich and Sebastien Leusch as investment director in Manchester.

Andrej Babache has been promoted to partner at the Central and Eastern European-focused private equity firm **Mid Europa Partners**. He joined Mid Europa in 2006 from Citigroup's investment banking division in London.


Lonsdale Capital Partners has promoted Andrew Chetwood (1) from associate to director and Simon Doherty (2) from analyst to associate. Chetwood joined the firm in March 2015 from EY, where he worked in transaction services. Doherty, who joins from Bluebox Corporate Finance, was previously at HSBC and the New York Stock Exchange.

Connor Trendell has joined **FPE Capital** from Deloitte, where he worked in the firm's TMT M&A advisory team.



The **BGF** has opened a new office in Nottingham with investors Ian Downing (1) and Jonathan Earl (2) relocating to set it up. Seb Saywood (3) has also joined the investment firm from Foresight Group, where he was a director.

Foresight Group has recruited Stephan Gueorguiev to its private equity team as senior investment manager from August Equity. He previously worked for Advent Venture Partners.

experience primarily in the retail, technology and leisure sectors, as well as the charities and wider not-for-profit sectors.

Prior to Deloitte, he worked for KPMG in the UK and Singapore, and before that, PwC. He is a licensed insolvency practitioner.

Geoff Carton-Kelly, partner at FRP Advisory and head of the London office, said: "The ongoing strengthening of FRP Advisory's core restructuring business complements the growth of our debt advisory, corporate finance and forensic and pensions service lines, enabling us to support businesses throughout the corporate lifecycle."



Tim Bearder (1) has joined **Aldermore** from Cap Hpi as head of specialist vehicle valuations, in the bank's asset finance business. Aldermore has also recruited Nick Dudley (2) from Close Brothers Asset Finance, as head of business development for dealer and manufacturer services – a new role based in Reading.


InMotion Ventures, Jaguar Land Rover's venture capital arm, has recruited Lars Klawitter as executive director strategic business, where he will oversee strategic partnerships. Klawitter joins from Rolls-Royce Motors Cars, and previously worked for BMW. He is also an angel investor, sitting as non-executive board member at the start-ups Finhaven, DOVU and 4G Capital.

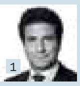

Begbies Traynor has promoted Andrew Mackenzie to partner in its Yorkshire team. Based in Hull, the ACA and qualified insolvency practitioner joined 12 years ago, and led the development of the firm's East Yorkshire presence.


Jamie Johnson has joined **Succession Corporate Finance** as partner, from Moore Stephens, where he had been director, since the merger with Chantrey Vellacott in May 2015. He had joined Chantrey Vellacott in 2012 from RSM, where he was corporate finance senior manager. Johnson previously worked for Deutsche Bank and Merrill Lynch.


Charles Randall CBE has been appointed chair of the **Financial Conduct Authority**, replacing John Griffith-Jones. He is an external member of the Bank of England's Prudential Regulation Committee and a non-executive board member of the Department for Business, Energy & Industrial Strategy. His appointment comes as he admitted to "an error of judgement" for investing in a film production partnership that turned out to be a tax avoidance scheme. He has since repaid £100,000 to HMRC.


Natasha Eden has been promoted to COO at **Clearwater International**. She joined the advisory firm in 2014, following roles at Lloyds Bank, Close Brothers and Experian.


John Clifford has joined **Muzinich & Co**'s Europe private debt team in London. He was previously a managing director in growth and acquisition finance at Investec Bank and a partner at Livingstone Partners.







TA Associates has promoted six investment staff members in its London, Boston and Menlo Park offices.

In London, Patrick Sader (1) has been promoted to managing director from director; and Lovisa Lander (2) and Max Cancre (3) to senior vice president from vice president. Sader joined TA in 2011, from Argan Capital, and previously worked at Terra Firma Capital Partners and Merrill Lynch. Lander focuses on investments in the healthcare and education sectors and joined TA in 2010 from Rothschild. Cancre focuses on the technology sector and joined in 2010 from the investment banking division, structured finance group at Barclays Capital. John W DiCola (4) and Amara Suebsaeng (5), based in Boston, and Alex Melamud (6), in Menlo Park, have all been promoted to senior vice president.


Onno Sloterdijk has joined **Apax Partners** as senior adviser for the Benelux region. He previously worked for KPMG corporate finance on private equity transactions.


Palatine Private Equity has promoted James Painter to investment manager. He joined in February 2016 from KPMG's corporate finance team.


KKR has appointed Jacques Veyrat as senior adviser in France for the wider EMEA region. Veyrat manages Impala, the investment firm he founded.

LEGAL BRIEFS



Cushman & Wakefield has appointed Eric van Dyck (1) as chair of its EMEA capital markets business. He has rejoined the law firm from Redevco, which he joined in 2010 first as COO and latterly as chief investment officer, having previously been at Cushman & Wakefield for 27 years. He served as the managing partner for Belgium.

The firm has also appointed Paulo Sarmento (2) head of its capital markets team in Portugal. He will be part of the EMEA capital markets team, based in London.


Matt Peers has been appointed global chief operating officer at **Linklaters,** taking up the role from 1 May 2018. He will continue as director of technology, which he has been since 2015. Prior to joining Linklaters, he worked at Deloitte, having trained as an ACA at Arthur Andersen.

THE CV

Helen Roxburgh is a corporate finance director in Leeds. She joined KPMG in 2002 and trained as an ACA after graduating from the University of Cambridge with an MSci degree in chemistry.

Recent deals

- Advised Sandstorm Gold on its recommended £170m cash and share offer for Mariana Resources
- Advised the shareholders of Go Outdoors on its £130m sale to JD Sports Fashion plc
- Advised AQA Education on its recommended cash offer of £6.5m for DRS Data & Research Services

CROSS-BORDER CHALLENGE

The £26.3m takeover of AIM-listed EG Solutions by US acquirer Verint required expert advice from KPMG's **Helen Roxburgh**

WHAT WAS THE DEAL?
The £26.3m takeover of AIM-listed EG solutions Plc by Verint WS Holdings, a wholly owned subsidiary of New York-headquartered Verint Systems, which is NASDAQ-listed. EG is a workforce optimisation software business, based in Staffordshire, with offices in eight countries and more than 80 employees. CEO Elizabeth Gooch founded the business more than 20 years ago.

WHAT WAS YOUR ROLE?
We were the corporate finance adviser to Verint. They are a $2.5bn market cap business, and have a lot of corporate finance bandwidth with their in-house team (both in the US and through their UK subsidiary), but the specific advice they needed was about the UK Takeover Code. They had not done such a transaction in the UK before and so needed our guidance.

HOW WERE YOU INTRODUCED?
Verint is a KPMG client in New York. Our US colleagues referred Verint to me, as we had done several cross-border deals involving the Takeover Code. Verint also took advice from Jones Day on our appointment. The deal was staffed completely from the UK.

WHAT WERE THE TIMESCALES?
Verint appointed us in late June. The deal was announced early September, and closed in November 2017, so it was intensive work.

WHO WERE THE ADVISERS?
We were the financial adviser to Verint, and Jones Day in London was the legal adviser. EG used N+1 Singer as financial adviser and Freeths for legal advice.

WHAT WERE THE CHALLENGES?
Aside from Verint's previous inexperience with the UK Takeover Code, the offer price of 112.5p per share was at a discount of about 11% to the price EG Solutions was trading at immediately prior to the announcement of the offer. Applying the 'rule of thumb' for such a takeover would mean a premium of 30%, but it was a relatively illiquid stock and the share price was high primarily due to a small number of retail trades.

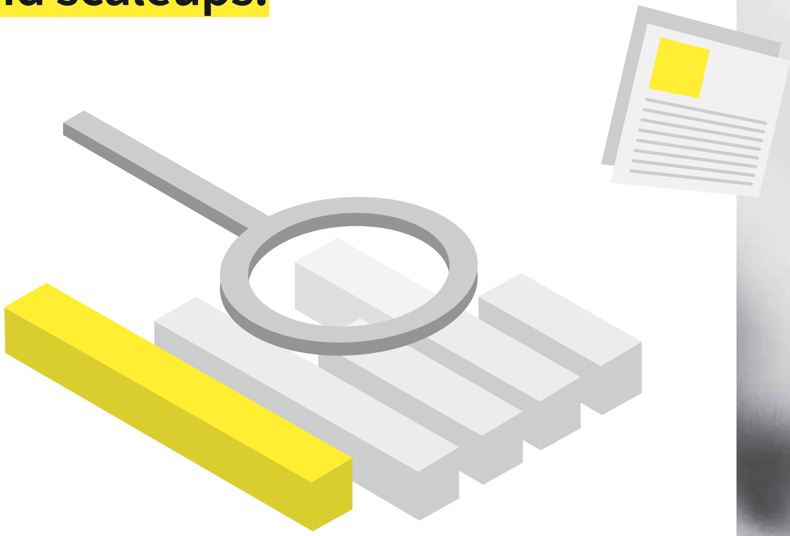
None of the advisers had previously worked on an offer at a discount under the Takeover Code. The board recommended the offer and we received 68% irrevocable acceptances (by value) before the announcement – 18% were held by directors, 7% by EG's EBT, and 43% held by institutional shareholders, which was a great starting position for the 75% by value requirement for shareholders to vote in favour of the offer.

WHAT ELSE STOOD OUT ABOUT THE DEAL?
We needed more than 50% of shareholders by number to vote in favour as well. That was our biggest concern after we announced the offer and so we monitored that closely, and successfully got the deal over the line.

On the Takeover Code, we had to take time explaining to our client why we were doing things in a particular way. We set out a clear route to a successful completion of the deal. ●

PHOTOGRAPHY: TOM CAMPBELL

Beauhurst is a searchable database of the UK's fastest-growing startups and scaleups.



USED BY HUNDREDS OF ORGANISATIONS TO

- Find high-growth, innovative businesses.
- Track their activity with instant updates.
- Monitor market trends and developments.

THE MOST INNOVATIVE COMPANIES

- **14,500+** equity-backed companies
- **3,200+** accelerator participants
- **4,200+** scaleups
- **14,600+** Innovate UK projects

COMPREHENSIVE DATA INCLUDING

- **60,000+** transactions
- **90,000+** key contacts
- **20,000+** news articles
- **6,800+** investors

We'd love to show you around the platform.

020 7062 0060

beauhurst.com

info@beauhurst.com

@beauhurst

/company/beauhurst

/beauhurstuk

Beauhurst