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GROWTH
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Corporate Financier

BRANDING

REPUTATION TO DIE FOR

Protecting reputation and brand value in an M&A process

REPUTATION

April 2018 Issue 201

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Tale of two cities

If you drive into Oxford from the east on the A4142, you'll pass a business that must have a great reputation – so good, in fact, that it overrides any branding considerations.

Just before you reach BMW's Cowley factory, you'll see a sign for 'Isis Rescue & Repair Centre'. To locals (and many non-locals), it's obvious that the company is named after the Thames tributary, the Isis, on which so many students go punting.

I'm no brand expert. But for the more geographically challenged, the name could be a little off-putting. For example, in 2014 Isis Private Equity changed its name to – as *The Daily Telegraph* described it, the "less terrorist-y" sounding – Livingbridge. Although perhaps to Peruvians the new name does have a ring of Shining Path about it.

In this month's cover story (pages 18-23), we look at the tricky issues of brand and reputation in M&A. Brand and reputation are not the same thing. That Cowley factory had British Leyland billboards outside it in the 1970s and 1980s. It's an example of how things can be changed through M&A, because, in the opinion of many, having BMW's brand on the gate instead of BL's has been a step up for the factory's reputation. But of course, BMW did not just rebadge the old BL product.

The flipside of the coin is when a city that has a superb academic, science and high-tech reputation has zero control over where its name is used. Cambridge Analytica was recently the subject of investigative journalism by *The Observer, Channel 4 News* and *The New York Times* into its collection and use of data from Facebook users. Its name may sound like it was spun out of the research departments at the UK's elite university (which it wasn't).

In fact, the only link to the city thus far seems to be that some analysts were Cambridge graduates, and Aleksandr Kogan, who provided the company with data, worked within the university's psychology department.

'Brand Manchester' must be thanking its lucky stars that Alexander Nix, Cambridge Analytica's CEO who has stepped down in the midst of the corporate scandal, didn't name the company after his own *alma mater*.

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NEWS & EVENTS

IMMERSE UK.ORG

IMMERSIVE TECHNOLOGIES AND UK VENTURE CAPITALISTS

UK-based ventures that utilise immersive technologies are likely to appear on the radar of investors – that was the overwhelming message from participants in a roundtable organised by Innovate UK's Knowledge Transfer Network (KTN), ICAEW's Corporate Finance Faculty and Albion Capital for the Immerse UK network.

The event on 6 March brought start-up funds, private investors, VCs, entrepreneurs and technologists together to discuss deal trends in early-stage immersive companies.

Fiona Kilkelly (pictured top), head of Immerse UK at the KTN, said: "Surveys of our Immerse UK members show that the sector is likely to see significant expansion over the next two or three years. Connecting immersive tech ventures with angel and early-stage VC investors, combined with a supportive policy ecosystem, will create the optimum environment for business growth."

Immerse UK is a fast-growing government, academic and business network supported by Innovate UK, Rolls-Royce, the Institution of Engineering & Technology, BT, Holovis, Vive, National Theatre, University of Nottingham, and other organisations, including ICAEW.

Investors who took part in the roundtable included Catriona McDonald, Nadine Torbey and Robert Whitby-Smith – all from Albion Capital, Joshua Burge (Edge Investments), Damien Lane (Episode 1), Matthew Bradley (Forward Partners), Puneet Raj Bhatia (London Co-Investment Fund), Anthony Clarke (Newable Private Investment), Patrick Bradley (Station 12), Robert Bahns (Touchstone Innovations), Ian Merricks (White Horse Capital) and business angel Kayar Raghavan.

Whitby-Smith said: "Immerse UK is doing an excellent job of understanding the barriers to investment in AR/VR and pulling together a community to help overcome them. Investment activity in this area will increase significantly in the next few years as the technology evolves and entrepreneurial activity accelerates."

The consensus was that more could be done in the UK to encourage seed-stage investment in the sector, including boosting business angel activity. To what degree VCs regarded 'immersive' as an investment category in its own right depended on the investor's sector focus and preferred stages of investment.

The Corporate Finance Faculty's Shaun Beaney (also pictured, above left) chaired the event. Speakers included Sam Browne (Sky), Kim-Leigh Pontin (Sky VR Studios), Dave Haynes (TheWaveVR) and Sol Rogers (Rewind). Innovate UK was represented by Tom Fiddian, innovation lead for the creative industries, and Digital Catapult by Darren Murphy, its immersive engagement specialist. James Kidner, director of partnerships at Improbable, also attended.

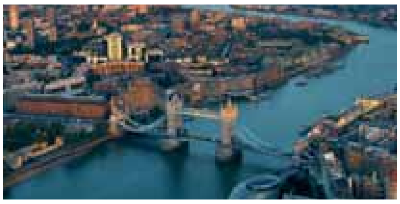
Innovate UK will launch a £33m 'Audience of the Future' initiative for immersive technologies later in April.

GETTY

NEWS IN BRIEF

- The Corporate Finance Faculty has begun a series of events and publications on the theme Debt for Deals (see pages 10-11). The faculty recognises that we are entering a period of rapid commercial, policy and regulatory change for the debt markets in both the UK and internationally. The changes will affect large, mid-market and smaller transactions. The programme kicked off with a roundtable on 20 February, chaired by David Petrie, with additional ICAEW expertise provided by Ian Young and Katerina Joannou. The participating organisations included Addleshaw Goddard, Albion Capital, Beechbrook Capital, Catalyst Corporate Finance, Clydesdale Bank, HMT, PwC and Spectrum Corporate Finance.

- The Corporate Finance Faculty's Annual Reception will take place this year at Goldsmiths' Hall in London on the evening of 15 November. The guest speaker will be Lord Smith of Kelvin, chairman of the British Business Bank.



SPECTRUM JOINS CORPORATE FINANCE FACULTY

Independent advisory firm Spectrum Corporate Finance is the latest organisation to join the Corporate Finance Faculty. Headquartered in Reading, Spectrum also has offices in Southampton and London. The firm was co-founded in 2010 by managing directors Simon Davies (pictured above, far left), Ian Milne (above centre) and Clive Hatchard (above right).

Prior to setting up Spectrum, Davies was partner and head of corporate finance in the south region at Grant Thornton. He trained as an ACA with EY, before joining PwC's corporate finance team in the mid-1990s. He co-founded what was then the first regional boutique, DHD Corporate Finance, with Clive Hatchard and Harry Dhand, which was acquired by RSM Tenon in 2001.

Milne has more than 25 years' experience in acquisition, leveraged and private equity finance with Bank of Scotland and RBS. He established and led the RBS mid-market leveraged finance business in the south and was managing director of UK private equity at RBS before co-founding Spectrum.

Hatchard trained with EY. In 2004, he moved from advisory to industry and has six years' CFO and board experience with Plcs and private equity portfolio companies. These include Land of Leather, and Home Flooring Solutions and Allied Carpets, when they were acquired from the administrator in 2009.

Darren Miller, James Mines and Iain McKenzie make up the three-strong team of directors. Miller is head of the Southampton office, McKenzie leads on technology deals, and Mines on many of the firm's private equity buy-side roles. Harry Dhand joined Spectrum in 2016 as non-executive chairman.

The firm advises on M&A, MBOs, corporate and private equity divestments, capital raising and debt. It works for clients across many sectors and focuses on deals in southern England. It is the UK member of the Alliance of International Corporate Advisors, a global network represented in 45 countries. In 2017 Spectrum completed a record 30 deals, with a total transaction value of £547m. So far in 2018 four deals have completed including its first disposal above £100m. Spectrum has also advised the owners of ICS Cool Energy on its sale to Ingersoll Rand in the US as well as having advised on the sale of Burgon & Ball to Venanpri Group in Canada; Complete Fertility to Virtus Health in Australia, and Hypertec to Exertis.

Davies commented: "Our recent move to new larger offices in Reading and London, together with some new recruitment across the team, heralds an exciting new chapter for Spectrum Corporate Finance.

"We have been well supported by local intermediaries and PE firms, and are looking to continue to drive the business forward. Joining the faculty is another step in that direction."

NEWS IN BRIEF

- The Corporate Finance Faculty will be holding its Annual General Meeting on 3 May 2018. The AGM will take place at Chartered Accountants' Hall, Moorgate Place, London EC2R 6EA from midday until 1:15pm. Members are warmly invited to attend. Please contact Grace Gayle at the faculty on +44 (0) 20 7920 8656 or email grace.gayle@icaew.com

- The Corporate Finance Faculty's Middle East network hosted an event at the Capital Club in Dubai on 27 February to discuss the likely impact of the introduction of VAT in the Gulf Cooperation Council on deal activity. Panellists included: Julie Bronzi, VAT senior manager at PwC; Dr Shuja Ali, a general partner at Saham Investment Management; Qasim Aslam, Dentons banking and finance partner and head of Islamic finance for the Middle East; Amjad Ahmad, founder and managing partner at Precinct Partners; and Thomas Vanhee, partner at boutique tax firm Aurifer. Samir Assaad, managing partner of SAS Capital Management, moderated the discussion. The event was organised by ICAEW's Middle East team, based in Dubai.

IN NUMBERS

Gender in senior roles, media sector M&A deals in 2018 so far, and top six industries for foreign direct investment (FDI)

$113bn

Global media sector M&A in first two months of 2018 – up six-fold on the first two months of 2017

10.9x

Multiple paid for deals in the TMT sector globally

THE HIGHEST IN 2017

DOWN FROM 11.1X IN 2016

SOURCE: THOMSON REUTERS; CLEARWATER INTERNATIONAL

2

UK's position out of all the countries of the world in the Venture Capital and Private Equity Country Attractiveness ranking

6 PREDICTED TO FALL TO #6 FOLLOWING BREXIT

SOURCE: IESE'S CENTRE FOR INTERNATIONAL FINANCE/EMLYON BUSINESS SCHOOL

TOP SIX UK INDUSTRIES FOR FDI IN 2016/17

	FDI PROJECTS	NEW JOBS
Software and computer services	418	10,971
Financial services	217	8,847
Business and consumer services	211	13,603
Environment, infrastructure and transportation	184	6,302
Creative and media	151	3,654
Advanced engineering and supply chain	146	3,714

SOURCE: TURNER LITTLE

DIVERSITY AT THE TOP

WORLDWIDE

2017	2018
66%	75%

Percentage of businesses across the world that have at least one woman on the senior management team

but the proportion of the team that is female has dropped from 25% to 24% this year

UNITED KINGDOM

2017	2018
59%	75%

Volume of UK businesses that have at least one woman on their senior management team

and the proportion of the team who are women has increased from 19% in 2017 to 22% in 2018

SOURCE: GRANT THORNTON

$180bn

Global spend by private equity groups acquiring public companies in 2017 – almost twice that of 2016

SOURCE: BAIN & CO

£355m

Cost to UK SMEs in the first year alone from a 0.25% rise in interest rates

SOURCE: HADRIAN'S WALL CAPITAL


WHAT CAR?
CAR OF THE YEAR 2018
Overall winner
VOLVO
CONNECTIONS MADE MORE REWARDING


SMARTER STORAGE


INTUITIVE TECHNOLOGY

JON MOULTON

I KIID YOU NOT

We all know that past returns are no guide to future returns. So why has the EU come up with the ultimate in investment kidology?

Two years after China dropped its one-kid policy, the latest serious imposition from another grand bureaucracy – the EU – on investment managers is a requirement to produce a KIID. The aims of key investor information documents (hence KIID) are certainly laudable. Investors are to be given a standardised document that sets out the risks, costs and returns of the products they are to invest in. However, the academics at the EU have made some schoolboy errors.

You may not think that all this would affect the investment vehicle that you may know and love, but it probably does. Basically, any investment that could be bought by a retail investor is caught – in other words, most. For instance, the KIID requirement even applies to admin staff at private equity houses, who may merely be participating in the firm's own co-investment scheme. Only single company shares are definitely OK.

DEFINING RISK

What does risk mean? The chance of losing your money? To retail investors it cannot really mean anything else.

Provided you are not working at the EU devising KIIDs, I am sure you'd agree. But, the otherworldly souls in Brussels take a different view. To them, risk means volatility, as measured by (for example) daily price variation.

There are 20-plus pages of kurtosis and natural logs absolutely prescribed in the EU's near totally impenetrable guide, to arrive at arbitrary risk levels that must be disclosed. Taking this KIID approach, a share in, say, a nuclear cold fusion company that is never traded because there's no liquidity in the stock would be classified as low risk because there was no volatility – clearly a great help to the average retail punter.

As for the use of the past to predict future events – I always thought that this was something investors were explicitly warned against, not asked to believe in.

To gauge performance, you may be required to take daily returns for the last three years then run them through innumerable simulations to arrive at performance guides for the next three years.

Now, *Corporate Financier's* editor has a 'one-page-a-month-and-no-more-for-Jon' rule that prevents me from fully explaining the methodology. But the results of the KIID analysis can be very bizarre. One-year returns can be predicted as negative, although the projected returns for years two and three pop out as positive. Again, you are not allowed to do anything other than report these mysterious results. The poor punter is supposed to be helped (not bamboozled) by this!

Some investment funds fear that a methodology that relies on past data invites investors to rely on improbably high returns from the recent past. In some cases, the dollar-sterling change post-Brexit is effectively given predictive value.

KIID-DING AROUND

There is little wrong with the maxim that past returns are no guide to future returns. The EU would have all retail investors become momentum investors instead, at heaven only knows what cost to themselves and their real kids.

The EU has taken about 10 years to develop a remedy for a perceived problem. But are investments mis-sold to retail investors? Well, obviously it does happen. Will KIIDs be read much? No – these KIIDS are likely to be seen but definitely not heard. How much will the new edict help? Who knows?

Will KIIDs favour large established funds and large asset managers? Yes. Will they reduce innovation? Yes. And what will KIIDs cost? They'll affect perhaps a million assets in Europe. The ones I'm involved in pay £25,000-a-year each to generate this paperwork – so could we be looking at a grand total of £25bn per annum? Hopefully not.

In 2012, the EU prepared a 99-page largely non-numeric impact statement about KIIDs, promising cost-benefit numbers before any regulation would be implemented. They did not do this. They did not even consider that the new rules could have adverse effects, such as encouraging momentum investing.

I really wonder why the UK's Financial Conduct Authority was not publicly screaming that this was nonsense. As most people know, kids are expensive. But KIIDs are even more so. ●

DEBT IS A FOUR LETTER WORD


Amanda Gray
Addleshaw Goddard


Nick Fenn
Beechbrook Capital


Paul Argent
Clydesdale


John Williams
PwC


Andrew Lynn
Catalyst Corporate Finance


Robert Whitby-Smith
Albion Capital

The debt options for financing mid-market deals have increased markedly since the financial crisis as liquidity has soared. At the end of February, the Corporate Finance Faculty organised a Debt for Deals roundtable discussion about the state of the debt market and where it is heading.

Not so many years ago, the prevailing view was that banks' leveraged finance activities had already had their day. Pundits scrambled to predict that debt markets in the UK and continental Europe would converge with those in the US, where about 80% of debt finance comes from non-bank sources.

The weight of capital being raised by independent debt funds over the years, driven by investors' new-found appetite for the yields promised by private debt at a time of unprecedentedly low interest rates, certainly seemed to support this thesis.

Corporate Financier feature writer Vicky Meek reports on the big issues. The roundtable will inform a Debt for Deals best-practice guideline, to be published by the Corporate Finance Faculty in the autumn.

BANKS' RETREAT GREATLY EXAGGERATED

The most recent figures from Preqin suggest debt funds' assets under management globally have tripled since December 2007, from $205bn to $638bn as of June 2017. But while fundraising efforts by private debt vehicles continue to flourish, banks have not exited the market en-masse in the way many anticipated.

Recent years have seen many financial institutions invest heavily in their leverage finance teams. Challenger banks across the world are now giving high street banks and funds a run for their money. At the same time, private equity houses generally still place a high value on the relationships with banks because they continue to see them as an important source of finance for deals. Contrary to earlier predictions, banks remain highly relevant to the acquisition finance market.

Many institutional investors have switched allocations from traditional fixed income to private debt. So, armed with larger amounts of capital to deploy, some of the funds originally in the small and mid-market spaces have moved further up the deal-size scale. This has created space for newer fund entrants, including some US houses that established themselves in the UK. It's a constantly shifting environment, particularly because some funds may find it hard to deploy the capital they've raised, given such a competitive market for deals to back. But the market is changing rapidly as new niche players emerge.

THE PUSH BACK

The credit cycle is already starting to turn. Yields have started rising in some parts of the market and at the larger end of the deal spectrum. There has already been some pushback on covenant structures.

No doubt the pushback on covenant structures will flow through to the mid-market as monetary policy normalises. However, the current liquidity in the market may act as a brake on this for some time to come. For borrowers in the mid-market who are looking to finance deals or to refinance, interest rate protection looks set to be an important consideration.

It's a constantly shifting environment, but it is starting to evolve into a market where niche players are emerging

A BORROWER'S MARKET (FOR NOW)

The high levels of competition have inevitably affected pricing and terms. Bullet repayments rather than amortising debt are common at the moment. And talk about 'cov-lite', a feature that had previously been associated with the run-up to the financial crisis, has made something of a comeback. Where covenants are in place, headroom has increased.

It has clearly been a borrower's market for some time. This trend has led some to speculate that, as the interest rate cycle turns, many companies could be heading for the same kind of trouble we saw in the aftermath of the Lehman Brothers collapse in 2008.

But there are some big differences this time around. Some argue that cov-lite is more talk than reality, with maintenance covenants typically employed in mid-market deals. Lenders are taking a more nuanced approach today compared with pre-crisis. Even where a single covenant is used, it is more typically nowadays one that is particularly suited to the industry and type of business involved. The aim is to offer adequate protection based on more finely tuned criteria.

With tighter monetary policy on the horizon, asset prices – buoyed by quantitative easing – look set to fall

$638bn

Global debt industry assets under management as of June 2017

Private equity and venture capital funds have seen an increase in interest from institutions

EQUITY VS DEBT

It's not just private debt funds that have benefited from investors' search for yield. Private equity and venture capital funds have also seen an increase in interest from institutions.

The result is that at the venture debt end of the spectrum, competition comes less from other debt providers and more from equity funders.

This is particularly so in the technology space, where the amount companies can raise relates less to their current value and more to an investor's view of how its capital can transform the business.

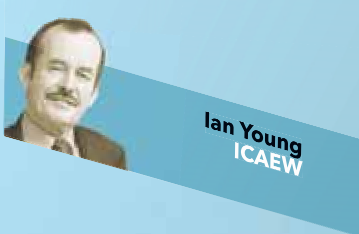
2018 VS THE CREDIT CRUNCH

Most lenders are more circumspect than they were in 2006/07. Strong credits may be able to negotiate good terms, yet in today's market tougher credits remain hard to fund. Despite strong liquidity in the debt markets over recent times, lenders remain highly selective.

The rise of debt funds is also positive in this regard. Investing their own capital, and with a need to maintain their reputation among investors for strong returns, debt funds' survival relies on taking a considered approach – their capital is at risk if they make poor credit and/or highly aggressive structuring decisions.

The fact that debt funds have been so successful at fundraising is another positive aspect of today's market versus the pre-crisis years. With high levels of capital to deploy, funds are incentivised to ensure that businesses they back succeed. Of course, they can reduce the amount of origination work they need to perform by providing follow-on funding to existing credits over the longer term.

Nevertheless, perhaps the biggest difference between 2006/07 and now is that back then the world was entering a period of lower interest rates, whereas today we're facing the prospect of rising interest rates. With tighter monetary policy on the horizon, asset prices look set to fall. Asset-backed deals are likely to be affected as a result. When that happens, we will find out if today's lenders have been able to select the right credits.



Liz Greetham

Next GENERATION

Persuading more women to work in corporate finance is vital for the future of business and deal-making. Marc Mullen finds out about EY's groundbreaking global initiative to encourage the next generation of female expert advisers

There has been steadily growing momentum in business and finance to address issues of gender inequality. But what of achieving a more diverse workforce in the first place? Creating a pipeline for female talent was a key purpose of the inaugural EY Corporate Finance Woman of the Year award.

Created in order to spark interest in a corporate finance career among female undergraduates, the competition is part of EY's goal to develop even more diverse teams and prepare staff, clients and businesses for the future of work. The fundamental objectives are to help bridge perception gaps and build a better understanding of the types of roles available within corporate finance.

The competition was open to undergraduates across the world and saw hundreds of applications and was whittled down to 81 finalists. Eight regional winners were selected. The ultimate winner, Lena Förster, was presented the award by EY transaction advisory services (TAS) global vice chair Steve Krouskos in London at the end of February.

The eight students attended a two-day final at the Shard, where they were divided into teams of four to tackle a real-life 'work experience challenge' corporate finance case study. Their work was assessed by a panel of judges, comprised of senior corporate financiers from EY and mental health charity Place2Be, which collaborated with the firm on the awards.

Place2Be trustee Liz Greetham, formerly of GE Healthcare, provided hands-on experience to the finalists alongside EY corporate financiers. The students were assessed on both a final team

"In order for us to attract, retain and enhance the skills of our next generation, we recognise that we need to demystify the world of corporate finance. We need to challenge stereotypes of who can succeed in this industry"

Julie Hood, global deputy vice chair of TAS, EY

presentation and their ability to work with team members throughout the process.

"Working with a client in a live situation gave me incredible insight into the issues executives face when undertaking a merger – as well as the impact I could have as part of an M&A team," recounted Förster. "It was exciting to put technical skills I gained at university into practice and work with the finalists to address complex issues and find solutions."

INTERNATIONAL WORK EXPERIENCE

Förster's prize is a 30-day internship, with the opportunity to work with EY mentors and TAS teams in Asia-Pacific, EMEIA and the Americas. She is in her final year of a double degree – international management at ESB Business School, Reutlingen University in Germany and global business at Dublin City University.

Julie Hood

Julie Hood, EY global deputy vice chair of TAS, explained: "In order for us to attract, retain and enhance the skills of our next generation, we recognise that we need to demystify the world of corporate finance, ensuring we leverage technology and ways of working to create flexible operating models. We also need to challenge stereotypes of who can and should be able to succeed in this industry. I know that EY and the participants have benefited from the different perspectives and insights throughout the programme."

The other seven finalists were Rebecca Zhang from Australia, Singapore's Yanyan Duan, Henny Tanberg Hansen from Norway, the UK and Ireland's Eleanor Knight, Aliaa Al Mheiri from the United Arab Emirates, and Jacinta Chang and Sabrina Peng from the US.

"The perception that corporate finance and M&A is male-dominated still persists and this competition is designed to help dispel that myth," said Krouskos. "All of the outstanding global finalists show how diversity of thought adds to the quality of the solution.

"Lena is an extremely talented person and well deserving of the award. She has demonstrated all the skills required to be successful in corporate finance and M&A, including strong business acumen, cross-cultural collaboration and communicating ideas in a compelling way."

Award winner Lena Förster

The first seeds for the idea of such a competition were planted in a *Corporate Financier* interview three years ago. Pip McCrostie – Krouskos's predecessor as global vice chair of TAS at EY – spoke to editor Marc Mullen about recruiting more women to TAS at entry level.

McCrostie told Mullen in 2015: "If we only get half our talent pool engaged, we will struggle to meet the demands of all the things that are happening. We need to remove fiction from the facts. People make huge assumptions, like that women have babies and we lose them from the workforce. That isn't when we lose them. We struggle getting women in."

Graeme Browning, global talent leader for TAS at EY, says the competition has been more than a year in the making. "We know that building diverse, high-performing teams is critical to providing outstanding results for clients," said Browning. "Through initiatives like this competition, we look to attract and engage outstanding females who are purpose-led and have the necessary acumen to ask, and find answers to, the toughest questions, deliver exceptional results and help navigate clients through a rapidly changing business landscape." ●

52%

Proportion of EY's 2018 TAS recruits who are women

20%

Proportion of women Level 20 wants to see in senior level private equity roles

THE BROADER IMPACT

In 2015, Level 20 was launched in London, with Jeryl Andrew as chief executive officer and Jennifer Dunstan (partner and head of fund investor relations at 3i) as chair. Level 20's aim is to increase the number of women in senior roles in the European private equity industry from 5% to 20%.

The organisation, which holds monthly networking events for women in private equity, identified that significantly fewer women than men enter the private equity industry, with only a small proportion progressing to leadership roles. Their belief is that better female representation will lead to improved investment performance.

One of the key issues, which the EY initiative should help address, is the supply of high quality female applicants from advisory to private equity positions in the future.

At the awards event, EY announced that its UK TAS operations had 52% female recruits for 2018. "Of course it takes time," says Graeme Browning. "But we are beginning to see change at EY. Others will follow, and hopefully, in time, private equity and the investment banks will see a change too."

FIRM & *fair*

In the nine years since Albion Capital was spun out of Close Brothers, the investment firm has significantly increased the range of its funds. Marc Mullen speaks to managing partner **Patrick Reeve**, partner **Robert Whitby-Smith**, and head of marketing **Victoria Scott**, about running an investment firm with £1bn+ of assets under management

Albion Capital managing partner, Patrick Reeve (left), stands next to partner Robert Whitby-Smith (right)

"As venture capitalists, our job is to see where the world is changing, see where that change will result in growth and then see where that growth will result in value," says Patrick Reeve, managing partner of Albion Capital, which employs 40 people. "And for that value to be lasting rather than fleeting, there is normally a strong socially positive impact. Of course, we are not investing to be pious, but we do want to have a lasting impact."

IN THE BEGINNING

Albion started life in 1995 as Close Ventures, the venture capital arm of Close Brothers Group. In 2009, Reeve led a management buy-out of Close Ventures, which at the time managed £180m of venture capital trust (VCT) funds. Under the new brand, Albion, the original VCT business has grown to £370m of assets under management across six evergreen funds.

A few years ago, Albion raised institutional money for Albion Community Power, a renewable energy power company and, later, more institutional capital for Albion Care Communities, a developer of high-end private care homes.

In 2016, Albion returned to Close Brothers to acquire OLIM Investment Managers, a fund manager, which specialises in UK quoted equities, and has £500m of assets under management.

Also in 2016, the £53m UCL Technology Fund was launched. Managed by Albion and UCL Business (University College London's technology transfer company), the fund commercialises UCL's IP and research output. Reeve and Albion partner, Robert Whitby-Smith, are genuinely excited by the long-term opportunities presented by the UCL partnership.

Reeve says the fund is to-date one third invested, with a very strong pipeline of spinouts. "We have a fruitful, close and collaborative relationship," adds Reeve. "Our skills are highly complementary in assisting companies through these early stages."

£370m

Total value of assets under management in Albion's original VCT business

£13.2m

Size of investment in Achilles Theraputics

The fund invests in both life sciences and physical sciences - particularly computer science and artificial intelligence.

"What we've found interesting is that UCL's technology transfer organisation has seen a dramatic increase in deal flow - the fund has now become an essential element in supporting commercialisation of UCL IP," explains Reeve.

Co-investment is obviously a big part of how the fund operates. The £13.2m investment in Achilles Therapeutics, which is developing highly targeted cancer treatments, involved co-investment from Syncona and the CRT Pioneer Fund. Syncona also co-invested in Freeline Therapeutics, a biopharmaceutical company, which is developing liver-directed gene therapies. F-Prime Ventures has co-invested with the UCL Technology Fund in Orchard Therapeutics, a biotech company that is developing gene therapies for rare childhood diseases.

"There is a symbiotic relationship between the UCL Fund and our tech investing from the VCTs. Both the UCL spinouts and the tech entrepreneurs in our VCT portfolio have benefited from collaboration. There are a lot of wins. We feel privileged to be in the heart of the tech innovation ecosystem."

Of Albion's broader investment vision, Reeve says: "We're standing on the brink of a technological revolution that will fundamentally

"The technology transfer organisation has seen a dramatic increase in deal flow – the fund has now become an essential element in supporting commercialisation of UCL IP"

CASE STUDY ON THE US RADAR

In March 2017, Albion and HSBC led a $3.3m Series A funding of Quantexa. Quantexa is a big data and analytics company developing software to tackle complex financial crime for businesses in the financial services, corporate and public sectors. "It took us minutes to realise this was an A-star team and there was a strong cultural fit with Albion," explains Robert Whitby-Smith.

Quantexa's technology uses dynamic entity resolution, network analytics and AI to analyse large disparate data sets, to help companies address financial crime and meet anti-money laundering regulations. Quantexa's experts have collectively more than a century of experience in data analytics. The team came out of BAE Detica, as did a previous Albion investment, Panaseer, whose management team introduced Albion and Quantexa to each other

Founded in March 2016, Quantexa has already signed a series of Tier 1 global financial institutions as clients and is expanding internationally at a rapid pace, pulled by customers.

"Having an international expansion element within the growth strategy is very important when we invest," says Whitby-Smith. "We are seeking to invest in global category leaders and this usually means traction in the US is a critical success factor due to the market size and presence of potential partners and acquirers.

"The great thing about US businesses is that they are highly tech-savvy, entrepreneurial and are very willing to contract with early-stage businesses if they are convinced that they offer a highly differentiated solution. If a company is unable to gain traction in the US then this raises questions over demand, go to market strategy or product differentiation."

FINELY TUNED

“Our style is to fish with spears as opposed to nets,” says Victoria Scott, head of marketing at Albion Capital, of the highly targeted marketing approach it adopts to most effectively reach its audiences. “Clear messages and useful content, specific to each group, is essential to cut through the clutter. The old days of pushing out general marcomms and hoping something will hit the spot are long gone. It is a longer term approach, but if investors and those businesses seeking investment really understand your values and strengths then it is easier for Albion to be their first choice.”

For a now diverse investment firm like Albion, Scott says it is important to “segregate audiences accurately and specifically”. Communication must be relevant. New data protection regulations will make that even more important, she adds. “Some may say that marketing is marketing, but more importantly than ever it is about making sure you are communicating properly, not just ticking boxes on a marcomms plan.”

Scott joined Albion in 2012. She was previously commercial director of EMAP, and is also a member of the Editorial Advisory Panel for *Corporate Financier*. She says Albion has to address far more diverse audiences and has many more marketing communication channels to choose from. “While we always consider a 360 degree approach to hit as many touch-points as we can with each audience, we still want engagement and relationships.

“The audiences with which I communicate could not be more diverse, and include charities, pension funds and other large institutions as well as small private investors. From an investee perspective, the audiences range from brilliant academics at UCL to leading tech entrepreneurs and bright young teams with great plans.”

Albion has been a member firm of the Corporate Finance Faculty since 2012, when managing partner Patrick Reeve described the faculty as an ideal networking environment for developing business relationships.

Four

Portfolio companies in *Sunday Times Hiscox Tech Track 100*

£32m

The amount Albion raised last year for its VCTs

“We maintain the discipline of being driven by investment performance and only seek to raise an amount which we feel comfortable we can deploy sensibly”

change the way we work and live. In its scale and complexity, it will be unlike anything humanity has experienced before. It’s expanding at an exponential pace and is disrupting almost every industry. Having insight into the cutting edge of this revolution through our technology investment in both the UCL Technology Fund and our VCTs, we believe provides an insight which really helps in forming investment decisions.”

EVERGREEN INVESTMENT FUNDS

And the bread and butter – the VCT funds that are the foundation of Albion’s business? “Our evergreen VCT funds are ranked two or three, by size, depending on the day,” explains Whitby-Smith. “While the funds are generalist, there are sectors we have purposefully targeted to build deep domain expertise – including software and healthcare. Albion has become one of the most active B2B software and healthcare investors in the UK. Within software, we have built expertise and networks in automation, cyber security, data analytics, digital health, engineering and martech.”

Whitby-Smith trained as an accountant with KPMG and joined its corporate finance team, before moving to Credit Suisse First Boston then ING as vice president in corporate finance. In 2005 he joined Patrick Reeve at Close Ventures, and became part of the Albion Ventures founding team when it spun out of Close.

Within Albion’s VCT portfolio there are around 20 B2B software companies. Four portfolio companies featured in *The Sunday Times Hiscox Tech Track 100* published in September 2017: Black Swan Data, Egress, Grapeshot and Symetrica. The *Tech Track* lists the 100 tech companies which have grown fastest in the last three years and which have reached turnover of over £5m. This makes Albion particularly well represented in software, as Albion has backed three of the 21 fastest growing software companies in the UK.

As evergreen funds, the VCTs are always fundraising and simultaneously investing. “We have recently closed our annual fundraising”, says Whitby-Smith. “We raised £32m, being a similar amount to previous years, and as in previous years, it closed early. While we would be able to raise more, we maintain the discipline of being driven by investment performance and only seek to raise an amount which we feel comfortable we can deploy sensibly and without undue haste or pressure. We expect some tech exits during 2018, as the sector is very active and a number of businesses in our portfolio have reached the level of maturity at which they have come onto the radar of strategic buyers.”

Whitby-Smith argues that the UK is becoming increasingly entrepreneurial, enabled by a world-class ecosystem of universities, incubators, angel investors, and successful government programmes (including SEIS, EIS, ECFs and VCTs) which ensure access to finance for early stage innovation.

PHOTOGRAPHY: DOMINIC TYLER

BROAD RANGE OF FUNDS

There are six evergreen venture capital trusts (VCTs) investing in private companies to deliver capital growth, with retail investors:

- Albion Venture Capital Trust;
- AlbionTechnology & General VCT;
- Albion Development VCT;
- Crown Place VCT;
- Albion Enterprise VCT; and
- Kings Arms Yard VCT.

In addition there are:

- Albion Community Power – developer and operator of community-scale renewable UK power generation projects;
- Albion Care Communities – developer and operator of high-end care homes for the elderly in the UK;
- OLIM Investment Managers – specialist quoted equity fund manager with a value-oriented approach; and
- UCL Technology Fund – partnership with UCL, investing in IP commercialisation opportunities from the university's research base.

£3m

Turnover of PSE when Albion invested in 2007

£16.5m

Turnover of PSE in 2017

EXPANSION

Albion is well known in the entrepreneurial community as a Tier 1 Series A investor in UK software and healthcare. It helps that Albion's partners have been with the firm for an average of 13 years - suggesting a healthy culture and knowledge retention within the team. In addition, there is deep domain expertise. Its healthcare team is led by former neurosurgeon and former radiologist Andrew Elder who has experience with Bain & Company, Boston Consulting Group, GE healthcare and 3i healthcare.

Albion announced three new recruits to its technology team in March (see *Company news* on page 32). Busy times. Whitby-Smith says: "The world is changing much more quickly. Our biggest constraint is time to explore all the opportunities, rather than deal flow."

AND SO TO RETURNS?

Albion VCTs have delivered consistent tax-free dividends to shareholders for two decades so, says Whitby-Smith, "something must be working". He says a number of portfolio companies have grown to a scale, which has brought them onto the radar of strategic acquirers.

"Many of our tech companies have received approaches which would deliver an attractive, but not stellar, return," says Whitby-Smith. "Often this results in shareholder pressure on a management team to sell. We see our job is to support the team if they think it is the right thing to take the business further. Our biggest losses in the past are a result of selling too early, rather than backing the wrong companies. An example is Active Hotels, which was acquired by Priceline and became Booking.com. While we delivered a 10x return, I don't want to think about what the investment would be worth if we held Booking.com shares today." ●

CASE STUDY PATIENCE A VIRTUE

Albion's investment in Process Systems Enterprise (PSE) really is an example of patient capital at work. Spun out of Imperial College in 1997, it can build mathematical models of any process that is understood physically. Its client list includes more than 60 Fortune 500 companies across a range of sectors, including five of the six oil majors, seven of the top 10 chemical companies and many of the world's leading pharma, consumer products, food and water companies and the leading innovators in fuel cells, carbon capture and storage.

"We invested in 2007 when PSE was a decade old and the business was making a small loss on £3m turnover," recounts Robert Whitby-Smith. The CEO, Costas Pantelides, is a professor at Imperial College and a world-class thought leader in mathematical modelling and chemical engineering.

"Costas's vision was to create simulation and optimisation technology to drive productivity in the process industries. When we invested, users were predominantly involved in the design of new plants and processes and sat in R&D departments, today as the digitisation of the process industries gathers momentum, PSE's software is starting to be applied to operations. The market in operations is an order of magnitude, or more, larger," says Whitby-Smith. Based in Hammersmith the company recorded £16.5m turnover in 2017 and has around 150 employees including about 100 PhDs from world-class universities across the globe.

He adds: "The company delivered compound growth of 20% per annum for the first decade of our investment, which is a strong performance relative to the total capital raised of £2m. It's well positioned to benefit from the increasing digitisation of the process industries and to become the de facto standard."

R E P U T A T I
T O D I E F

O N

O R

REPUTATION

REPUTATION AND BRAND ARE AT THE HEART OF ANY M&A PROCESS. WHAT CAN CORPORATE FINANCIERS DO TO HELP THEIR CLIENTS MAXIMISE BRAND VALUE AND MINIMISE ANY LOSS OF REPUTATION BEFORE, DURING AND AFTER A DEAL? GRANT MURGATROYD REPORTS

"It takes a lifetime to build a good reputation, but you can lose it in a minute." It's an assertion, attributed to American social commentator, actor and comedian Will Rogers about 100 years ago that has been recycled in many business situations ever since.

A case in point this winter was fast-food chain KFC in the UK: the fried chicken brand might have been of dubious worth to some, but its reputation for serving chicken, and serving it quickly, was high. That all changed when half of its British restaurants were forced to close as a result of having no chicken in stock - an unintended result of the switch to a new delivery provider, DHL, which has subsequently been relieved of its duties.

Ryanair had its 'no chicken' moment in October 2017. The budget airline had to cancel hundreds of flights when it realised it would be missing one of the essential ingredients required for flying - pilots.

A reputation is perhaps best described as the sum total of a business's track record - everything it has done to date. The brand encapsulates that and acts as a multiplier, particularly (but not exclusively) in the consumer sector - encouraging the purchase of that business's products or services.

Brands then are important drivers of value - for acquirer and target. The five most valuable brands in the world - Amazon, Apple, Google, Samsung and Facebook - are worth a combined $600bn and comprise 24% of the companies' enterprise values as of 2018, according to analysis by consultancy Brand Finance. Therefore, M&A professionals pay close attention to the brands they are buying and selling, and when they commission valuations, strategy reports and due dilligence.

"In M&A, everyone knows the financial elements that drive the deal thesis and the goal for value creation afterwards," says Bill Gullan, president of

$60bn

The price of Bayer's takeover bid for Monsanto

Philadelphia-based Finch Brands. "We believe that brand choices before, during and after M&A often contribute to the incredibly high rate of merger failure and value destruction. Brand choices are often an afterthought, which is understandable given the need for teams to work on many issues to tight time frames."

Finch advises on brands alongside corporate financiers during M&A processes. "The integration executive team brings us in to run a parallel process to resolve brand choices, devise a strategy and activate the brand architecture," notes Gullan.

WHAT DO YOU STAND FOR?

Brands may be associated with consumer products, but they apply equally to business-to-business companies. Last year, German pharmaceuticals and life sciences giant Bayer announced a $60bn takeover bid for crop science pioneer Monsanto. The structure and goals of the combined company have been announced, but the name has not yet been determined. The EU authorities are also picking over the details before approval is given. Monsanto's brand is, as one adviser tactfully put it, "polarising". While it is well respected in the agriculture sector, it has a poor reputation with consumers. Bayer is better known as a healthcare business, and may struggle to position itself as an agricultural leader.

"In M&A, everyone knows the financial elements that drive the deal thesis and the goal for value creation afterwards"

Bill Gullan,
president, Finch Brands

CEOs know that brand is important, but some chief executives are only just beginning to take it as seriously as they should. Back in 2014, a survey of FTSE 350 companies carried out by YouGov and Deloitte found that only a third of businesses saw reputation as a key business driver. Only half of them measured and linked it to business outcomes (see box, below). And yet embarrassments do happen: an eye-opening example was Volkswagen's 1998 takeover of Rolls-Royce Motor Cars, which included the entire iconic motor company, bar the right to use the name (see box, 'On the scrapheap?'). Errors on this scale are rare, but value leakage and failures to deliver top line synergies are not uncommon.

Historically the preserve of boutiques and agencies, the big professional services firms now include brand and reputation advisory in their service offerings. Andrew Robinson, head of Deloitte's specialist valuations group in the UK, says: "Reputation and brand can be bundled together in certain circumstances, but you need to be very clear on what sort of businesses you are talking about.

"We spend a lot of time with consumer product businesses that trade off their brands, and they are very focused on those brands, how they position them in the marketplace, and what they stand for. Then you have the corporate brand and reputation, which is important for raising capital, securing employees and positive investor perception. Corporate brand management really comes into

BRANDING AND REPUTATION – CHICKEN AND EGG

Though the terms brand and reputation are sometimes used interchangeably, they are not exactly the same. "Brand is something that typically you can control. You invest in your brand by spending on advertising, PR or whatever, and it leads to a better outcome," explains David Waller, senior managing director in the strategic communications group at FTI Consulting in London, who co-authored *The Reputation Game* with Rupert Younger.

"Reputation is a by-product of other stuff, of how successful you are. How well you are doing will determine how other people see you and your reputation. There isn't a switch you can flick to improve it."

A good reputation doesn't always convert into other value. Confectionery company Rowntree had a superb reputation with customers, employees and its community, but this was not reflected in its share price. While a low share price makes a company vulnerable to takeover, a high share price gives it the firepower to make acquisitions more cheaply, whether by issuing shares, exchanging shares or raising debt. When food multinational Nestlé made an approach for York-based Rowntree in the late 1980s, shareholders chose the return promised by Nestlé's management over Rowntree's splendid reputation as an all-round good corporate citizen. "The share price is a brutal reflection of a company's reputation with extremely important stakeholders," explains Waller (pictured), who believes reputation cannot be managed directly: "You need to engage with your reputation. You need to see it as a by-product of running a really good business well. If you do that consistently over time and communicate effectively with the relevant stakeholders, you should have a good reputation. There's going to be misalignment from time to time, but I do believe that getting the business right should be the top priority, not manipulating your reputation."

proper focus when the companies are big, like the FTSE 250 or if the business is promoting innovation or disruption agenda, where it may go into overdrive."

SEEKING OUT THE SKELETONS

The big change for corporate brands has been the emergence of the internet and social media. Where once stories of exploitative working conditions could be contained (perhaps only making it as far as the local newspaper), now they can go viral. Arguably, brands and reputations are now more accurate reflections of reality. Since the 1970s, Nike's labour practices have been questioned, but it was only when campaigners utilised the communications power of the internet in the early 2000s that the US sports company responded by introducing factory audits throughout its supply chain.

Paul Lupton, UK corporate finance advisory group lead at Deloitte, observes: "One thing that has fundamentally changed in the past 20 or 30 years is that, with the pervasiveness of information flow, it's very difficult for companies to do things under the radar. Organisations need to be a lot more cognisant of the messaging they're sending out into the market at every level - customers, employees, suppliers and other stakeholders - because you have to assume that everything you do will get picked up."

Before you can look at brand strategy, you need to know who owns what. "When we're selling a business with very visible brands we spend time making sure that the IP around those brands is in the right place, that you've got the necessary trade marks and the copyrights," says Lupton. "You don't want to get a long way into the journey and have something come from left field that you weren't anticipating."

"Organisations need to be a lot more cognisant of the messaging they're sending out into the market"

Paul Lupton, partner, Deloitte

"It's the people who get the job done, but the brand plays a crucial role in giving them the opportunity"

David Haigh, founder, Brand Finance

BRANDED FOR LIFE

Professional services and corporate banking are people businesses. The ability of a firm to execute a transaction is down to the quality and experience of its executives, but they operate under an umbrella of their company's brand.

Brand values of the leading investment banks and professional services firms are worth billions – $18bn for the most valuable bank, JP Morgan, and $22bn for the most valuable professional services firm, PwC, according to Brand Finance. At professional services firms, advisory work streams are accounting for a greater proportion of value, because they are the growth drivers of the businesses.

"Generally, individual advisers are reluctant to admit that their brands are relevant because they like to think their success in winning business is down to their personal brand," says David Haigh, founder of brand valuation and strategy consultancy Brand Finance. "But management knows how important it is and will invest time and money building consistently strong brands.

"The Big Four had virtually no corporate finance businesses 30 years ago, but they were able to leverage their brand strength in accountancy to get a foot in the door. Of course, it's the people who get the job done, but the brand plays a crucial role in giving them the opportunity."

"Reputation is a by-product of other stuff, of how successful you are. How well you are doing will determine how other people see you and your reputation"

Once ownership is established, there is the tricky business of valuing the brand. As an intangible asset, there is a significant subjective element to any brand valuation

This includes trading brands and the corporate brand – and reputation is at the heart of this. "We provide an important and growing service to corporations, where we look at their supply chain to identify risk, and seek to mitigate damage to them as an organisation. If you are continually trying to get more for less in your supply chain, then you are potentially going to be doing deals with people that might not be as ethical as you would like," says Robinson.

Exploitative labour practices, including the use of child labour, are common in many sectors, and companies are vulnerable to investigations by outside agencies and the media.

Last year, Unilever-owned premium ice cream maker Ben & Jerry's announced plans to introduce an organic dairy range in 2018 and cut all glysophate-tainted ingredients from its supply chain by 2020. This was in response to consumer pressure after sampling by the Health Research Institute found traces of the weedkiller in 13 of 14 tubs in the UK, France, the Netherlands and Germany. Despite there being no significant health risks, the findings were sensationally reported, first by the *New York Times*, then other mainstream media and across the internet.

"You are potentially going to be doing deals with people that might not be as ethical as you would like"

Andrew Robinson, **corporate finance partner, Deloitte**

"Brand value for a standalone company is very different to what the brand value would be for an acquirer"

Scott Moeller, **director, M&A Research Centre at Cass Business School**

HEALTH AND SAFETY GONE BAD

Once a box on the due diligence checklist, advisers now devote increasing attention to environmental health and safety issues, a segment that has unearthed more than its fair share of skeletons.

Tomas Sys, principal consultant at Ramboll in London, says: "The uptake of the environmental, health and safety (EHS) due diligence stream is increasing and EHS exposures can result in substantial reputational risk. Regulations are a big driver, but so too is environmental, social and corporate governance (ESG) as is the desire to better understand potential exposure that can come from the supply chain. Our M&A advisory teams are seeing private equity firms using ESG screening tools not just to identify the risk, but also the opportunities for improvement and value creation."

Approximately 55% of private equity limited partners, surveyed by Pitchbook in 2016, said that brand/image matters in their investment decisions (the second highest score just marginally below corporate governance). Only about 30% of respondents stated that ESG does not matter in their investment decisions.

Once ownership is established, there is the tricky business of valuing the brand. As an intangible asset, there is a significant subjective element to any brand valuation. For example, estimates for Amazon's brand value in 2017 ranged from $54bn (Forbes) to $139bn (Kantar Millward Brown). Variance is greater when considering value for a specific purchaser.

Scott Moeller, director in the M&A Research Centre at Cass Business School at City, University of London, says: "The two important questions when valuing a brand are: 'for whom?' and 'for what?'. Brand value for a standalone company is very different to what brand value would be for an

ON THE SCRAPHEAP?

Brand famously scuppered Volkswagen's (VW's) takeover of Rolls-Royce in 1998. VW had trumped a £340m bid for Rolls-Royce Motor Cars from BMW, which was supported by the vendor Vickers Plc.

Vickers could not refuse the £430m offer, but VW's celebrations were short-lived after Rolls-Royce Plc, the owner of the aero engines business and the coveted Rolls-Royce name, decided not to include usage of the name, which was instead sold to BMW for £40m.

VW knew the trademarked name was not included in the deal and maintained that it was primarily interested in the higher-selling Bentley marque. Vickers believed this to be a negotiating ploy. VW wrongly expected Vickers would let them use the name for £100m extra.

VW also sold the right to use the Spirit of Ecstasy hood ornament and the radiator shape to BMW for a reported $40m, and it began manufacturing Rolls-Royce cars in 2003. VW still makes the higher-selling Bentley marque. Under VW's ownership, deliveries of Bentleys have increased from 414 in 1998 to over 10,000 for the past five years, while the number of employees at its Crewe factory grew from 1,500 to 4,000. Successful M&A can revitalise a reputation and reinvigorate an opportunity.

acquirer. The acquirer may be able to do things with that brand that the standalone company couldn't."

When food group Kraft completed its hostile takeover of Cadbury's in 2010, the main attraction was the UK chocolate maker's strength in emerging markets, but there were other opportunities for Kraft. "For Kraft, there was extra value in the Cadbury brand because they could use it on some of their existing products," says Moeller. A buyer may be just after capacity, technology, processes or customers to expand it's own brand - in that scenario the target company brand is of little value to them.

And sometimes the numbers can ride roughshod over reputation issues. Sky is attracting interest from 21st Century Fox, Disney and Comcast despite concern over the role of James Murdoch as CEO of 21st Century Fox and chairman of Sky - he was re-elected by just 51.6% of shareholders.

A transaction's success is, of course, measured with numbers but other factors need to be taken into account if the numbers are to be delivered. Howard Breindel, branding and marketing strategy team lead at DeSantis Breindel in New York, says: "Investors are never an ignored constituency, but there is often less focus on the employees. Unless you can translate the merits of that financial transaction into one that is beneficial to all stakeholders, customers, suppliers and employees, then you are risking the success of that transaction."

Warren Buffett once observed that "a great reputation is like virginity - it can be preserved, but it can't be restored" - a good reason to at least hold on to what you have through a transaction, unless of course you want a bad reputation. But that doesn't often work. Even 'bad boy' budget airline Ryanair dropped its bid for Alitalia in September 2017, when its reputation took a dip. ●

"Investors are never an ignored constituency, but there is often less focus on the employees"

Howard Breindel, partner, DeSantis Breindel

"The uptake of the environmental, health and safety (EHS) due dillgence stream is increasing and EHS exposures can result in substantial reputational risk"

Tomas Sys, principal consultant, Ramboll

DEFENSIVE PLAY

When an acquirer swoops on a portfolio of brands, there is little that can be done at the brand level to defend them. In 2017, Kraft Foods Group approached Unilever with an unsolicited $143bn bid. The Anglo-Dutch giant's extensive portfolio of consumer brands, valued at $43bn, was a huge part of the attraction.

CEO Paul Polman's defence was built on Unilever's corporate strategy and, in February 2018, he told the *FT* that the defence had involved some "compromises". One of Polman's first acts when he became CEO in 2008 was to ditch quarterly earnings targets, a move intended to show the market, which had responded positively to the former Nestlé executive's appointment, that Unilever was taking a long-term approach.

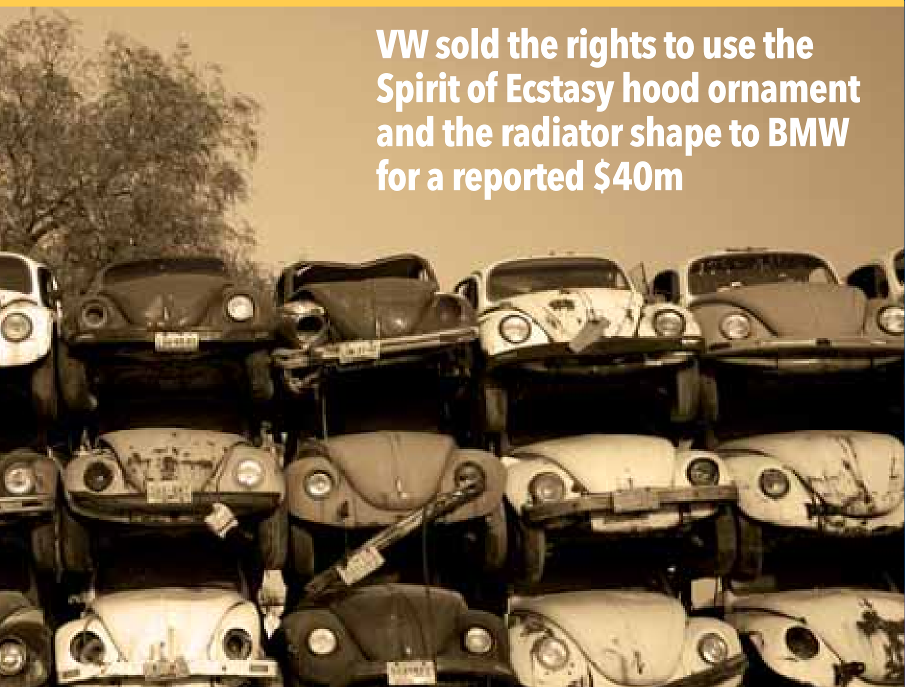
Kraft Foods Group, owned and controlled by financial investors 3G Capital and Berkshire Hathaway, is known for a ruthless, cost-driven approach that has delivered exceptional increases in value to shareholders. To survive as an independent company, Unilever was forced to sacrifice some of its cherished ideals on the altar of shareholder value. A 12% increase in the dividend, a €5bn share buy-back and a doubling of cost-cutting measures to increase the profit margin to 20% were enough to convince investors to back the incumbent management team. The Unilever name survived, but the cost to the corporate brand has yet to be determined.

$143bn

Price of Kraft Food Group's bid for Unilever

$43bn

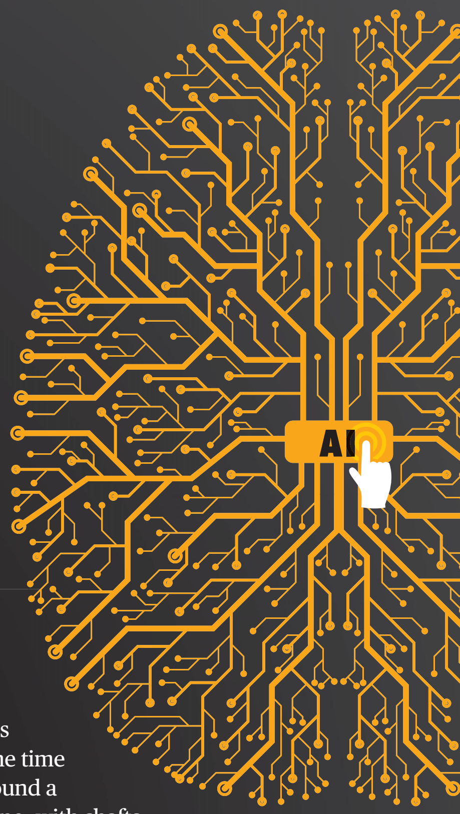
Value of Unilever's portfolio of consumer brands



VW sold the rights to use the Spirit of Ecstasy hood ornament and the radiator shape to BMW for a reported $40m

ALAMY

TAPPING AI



The latest initiative financed by the UK government's Industrial Strategy Challenge Fund aims to put the UK at the forefront of AI's deployment in professional services. Innovate UK's **Stephen Browning** outlines the goals

There are high expectations of artificial intelligence, in particular machine learning, to transform many industries and aspects of life. In some areas, it has made its presence felt, be it recommendations of shows to view on streaming services, or other goods to be purchased when shopping online.

But how will AI affect the professional services sector? This is the question that the government is aiming to answer through a new programme under the Industrial Strategy Challenge Fund, announced in April 2017. The fund has allocated £20m to the Next Generation Services (NGS) challenge, which aims to bring together industry partners across accountancy, insurance and legal services with AI technology suppliers and academic researchers to develop new solutions and approaches to serve clients better.

WORLD FORCE

The UK has a long history of leadership in these service sectors, but they are not perceived by some as being highly innovative or willing to adopt new approaches and technology rapidly. With the advent of more powerful machine intelligence coupled with massive volumes of data, it is possible for new entrants to disrupt the status quo. If the UK is to retain its position, then it must engage in the development, adoption and diffusion of AI in these sectors.

There are already examples of machine learning being applied to specific problems in these areas. For example, UK-based CaseCrunch recently demonstrated its system for predicting outcomes in legal claims, which beat human lawyers by a healthy margin. Examples like this show how machine intelligence can address specific tasks in existing workflows very efficiently, and this, of course, is attractive for businesses.

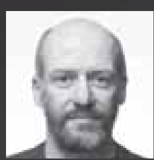
However, the real transformations will come about when AI technology is used to deliver new outcomes or existing needs in entirely new ways. This is analogous to the days when electric power first replaced steam in factories. Machines and workflow at the time were clustered around a central steam engine, with shafts and belts drawing power. Early attempts to use electric motors followed the same principles, with a central electric motor. It was not until people realised that smaller electric motors built into individual machines would allow for a more distributed and effective workflow that the real productivity benefits of electricity were unleashed.

> **"AI and data collection throw up big questions about ethics, socio-technical barriers, bias and public acceptance"**

This is not simply about technology development, though. AI and data collection, more than most technological developments, throw up big questions around ethics, socio-technical barriers, bias and public acceptance. Prominent among these is the question of job security and underemployment that AI could trigger. For these reasons, the NGS programme will span both the technical development of AI solutions for the service sector and the more people-oriented adoption challenges. It will draw on the great science base that the UK has in these fields to identify approaches, frameworks and practical solutions that businesses can use when adopting AI.

This government-backed programme, run by Innovate UK and the Research Councils, offers the support and opportunity for the UK's accountancy sector to design and develop the future of the profession. ●

Throughout March, Innovate UK held workshops around the country about Next Generation Services. To find out more about the initiative, please contact Astrid Ayel, digital economy manager at the Knowledge Transfer Network astrid.Ayel@ktn-uk.org



Stephen Browning, head of the Small Business Research Initiative, Innovate UK and interim challenge director for the Next Generation Services programme. He can be followed on Twitter at @StephenBrowning

Key takeaways

Almost two decades ago, Jesper Buch set up Foodzoom in Copenhagen. Following a name change, Just Eat was sold and branched out into the UK. Last year, its revenues were £546m. So how has it gone from strength to strength?

BIGGER THAN SAINSBURY'S

Four years ago Just Eat Plc listed on the London Stock Exchange at a market cap of £1.47bn. The takeaway food app, originally created in Copenhagen, had revenues of £97m and EBITDA of £14m for the year to December 2013. It now operates around the world, including the UK/Ireland.

In the past financial year, it has grown its revenues to £546m and its EBITDA to £163m. While its EBITDA had grown almost 12-fold, its share price had just grown by only 3.5x.

Just Eat is simply an interface, albeit a popular one, between customers and takeaway restaurants. It also has a market cap of £5.2bn – about the same as Sainsbury's and Morrisons. In fact, last November its market cap was more than both the 'old world' supermarket chains.

BRITS TO GO

In September 2017 Peter Plumb (left) was appointed CEO of Just Eat. He had been CEO of MoneySuperMarket for eight years, overseeing a six-fold increase in its share price and the acquisition of financial advisory site MoneySavingExpert.com for £87m plus shares in May 2012. That same month, Paul Harrison (centre) took over as CFO. The ex-PwC man joined from Silicon Valley-based London-listed software company WANdisco.

Later this month, Mike Evans (right) will take on the role of non-executive chairman.

DANISH DRAGON

In 2000 24-year-old Danish Export Institute graduate Jesper Buch (left) set up food ordering business Foodzoom in Copenhagen. By the time it went online later that year, it had changed its name to Just Eat.

In 2005, having proved the model in Denmark, the original backers, except for Buch and Danish angel investor Carsten Mikkelsen, were bought out, and the new investment was used to expand into Holland, Ireland and, crucially, the UK. In 2008, he sold some of his stake to Index Ventures, selling the remainder in 2011.

Buch is now a (minor) celebrity in Denmark, having appeared on the Danish version of *Dragons' Den*. Away from TV, he founded Seedster and made a portfolio of seed investments, including Hungry.dk, one of Denmark's most popular food ordering apps.

HUNGRYHOUSE DEAL

In November 2017 the Competition and Markets Authority (CMA) gave clearance to Just Eat's takeover of its UK competitor Hungryhouse. The £240m deal had been referred to the CMA in May 2017 over fears that the tie-up would put Just Eat in a position that offered restaurants and restaurant chains little competitive choice in how online orders were placed.

In its ruling, the CMA said businesses such as UberEats and Deliveroo presented a "greater competitive challenge" to Just Eat compared to Hungryhouse.

In March, £0.7bn was wiped off its market value after it announced it was investing £50m in a delivery service to take on UberEats, Deliveroo and Amazon at hot food delivery.

Just Eat ran pilot courier service schemes for Burger King and KFC in the UK, where more than half its revenues come from. Analysts from Goldman Sachs among others recommend Just Eat shares as a buy. In time there will no doubt be consolidation opportunities in the delivery sector.

PA IMAGES

NEW WAYS OF THINKING

Traditional businesses are using digital innovation to reposition themselves, and for many their vision is being achieved through M&A. In January EY published a survey of more than 900 corporate executives in 26 countries. Marc Mullen poses questions to **Steve Ivermee** and **Steve Krouskos**

Steve Ivermee, transaction advisory services managing partner, EY

Q How can a business create an effective M&A process for digital?

Ivermee

"The business must acknowledge that acquiring digital capabilities requires a different way of thinking. You have to refine the way you think of M&A. What we see in the market is that leaders during this transformational age adopt a digital-centric approach to capital strategy, deal-making and processes.

"Taking a closer look at the transaction lifecycle, a business needs to establish a clear digital strategy. Simply putting a digital wrapper around existing brands and propositions is no longer enough. Businesses need to make sure that digital is not the side strategy, but that the business strategy is linked to what they need as far as digital capability is concerned, and is absolutely linked to how they allocate capital.

"Digital disruption requires asking hard questions about what an organisation is today, and what it needs to be tomorrow. Digital is a race to stay ahead of changing customer demands, so a business needs to keep reviewing its portfolio continuously.

"A different approach to integration post-acquisition is key. A business may end up having to integrate something completely intangible, so digital transactions require a tailored approach.

Q How should businesses adapt their approach to digital transformation and the use of M&A to achieve that?

Krouskos

"Our research told us is that every business takes a different approach to responding to the demands of the digital era. A minority have undertaken a significant transformation and updated their M&A strategy and approach. They are reaping a significant digital performance premium as a result.

"Then there are those companies who understand where they need to update their approaches to cater for the unique challenges of digital M&A. There are a large number of businesses that are currently challenged with many aspects of digital M&A, from building an ecosystem to conducting due diligence on digital assets.

Q How does a business source digital M&A opportunities that are relevant to its business?

Ivermee

"Many businesses are still placing significant reliance on corporate M&A departments. In certain cases, the business is increasingly taking on responsibility to identify new strategies, leaving M&A departments to execute the deal.

"Finding targets for digital M&A requires a wholly different approach. While it's difficult for one individual or department alone to affect change, we see businesses appointing 'change agents' (people to manage the transformation) within an organisation that are aligned to their future strategy. In the market we also see examples of businesses coming together to create networks with start-ups or incubators that help them identify products and services relevant to their strategy.

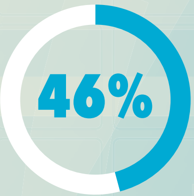
Approach to digital M&A

90% of companies are allocating capital to digital transformation including M&A

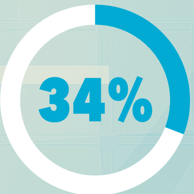
48% have a coherent buy-and-build approach to digital

of corporates said they had sufficient balance sheet capital for digital M&A goals, be it bonds, equity or divestments

What's the deal with digital M&A?



say due diligence processes are not highly effective for digital M&A



of organisations do not have the key performance indicators in place to measure post-merger integration of digital acquisitions

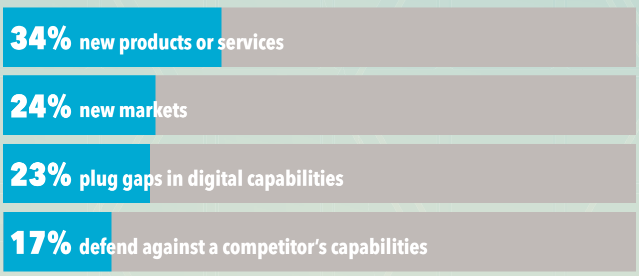
Q How should a business go about assessing the relevance and adaptability of a digital target?

Ivermee

"In this fast-changing technological landscape it can be tempting for organisations to try to make hasty decisions or prematurely react to short-term forces. Companies are increasingly competing against fierce competition that is prepared to move quickly and may have a different risk appetite. The most innovative digital assets get snapped up fast, putting pressure on non-tech companies in particular to make significant capital decisions quickly.

"Decisions need to be founded on a robust strategic rationale. Any investment needs to be part of a co-ordinated buy and build strategy for competing in a disrupted world. Even if businesses are looking to invest in the potential to augment existing processes, products or services, due diligence will tell them whether the technology, intellectual property, people or business model they are investing in is suitable and scalable.

The most important reasons for building digital transformation ecosystems



Steve Krouskos, global vice chair of transaction advisory services, EY

Q Is there a risk that the appetite for tech-driven change will fade if there is ineffective integration?

Krouskos

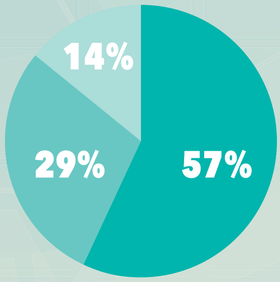
"Maximising value is not always straightforward following deals of any nature. The added complexity with tech-driven deals is that sometimes you have to integrate different cultures, skills and people. But we have to keep in mind that tech-driven M&A is driven by the market and by changing consumer demand.

"As with most business issues, setting the tone from the top is key in terms of digital. Businesses leading the field are more likely to have the CEO as the person driving the primary aspects of digital transformation strategy.

Digital maturity

The Digital Deal Economy identified three levels of digital maturity:

- **aspirers** (57%) are challenged by many aspects of digital M&A
- **adopters** (29%) understand the digital challenges they face
- **leaders** (14%) have made significant transformation and have fully aligned capital and digital strategies



Q How do you see the proportion of leaders, adopters and aspirers changing?

Ivermee

"Clearly, the scale of transformation that businesses are going through – and the constant need to adapt – will require a different attitude towards M&A. Digital should be a key component of capital allocation, linked to finding the best combination of organic investment, strategic M&A and joint ventures and alliances. The speed with which we all need to act is different today, and one thing is certain, doing nothing is no longer an option for companies in any industry."

ALL FIGURES: EY

INTERNATIONAL DEAL SOLUTIONS

In the latest of our series on de-risking deals, **Darren Acres** of Dentons outlines the key issues to be addressed to minimise execution risk on cross-border transactions

Once again, cross-border activity was a key component of M&A last year. According to Mergermarket, international M&A as a percentage of global M&A in 2017 stood at 42.6% by value, the highest since 2014, and 35.2% by deal count, the highest such figure since 2011. While cross-border deals can mean access to new market opportunities, they can also mean heightened execution risk and potential deal challenges and costs. The most successful buyers and sellers are those that are able to mitigate execution risk by being aware of those pitfalls, which are peculiar to working across jurisdictions. In a successful transaction these issues are managed from an early stage in the deal process.

AVOID REGULATORY SURPRISES

It may sound obvious, but an early understanding of the regulatory environments in which deal participants operate is critical to the execution of any cross-border deal. That means what the regulations are and how the regulators function in practice.

National security and public interest are major factors at play. Consequently, regulatory processes and regulatory decisions can be difficult to predict at times. Misjudged regulatory approval processes in both the emerging markets and more sophisticated jurisdictions can add months or, in the most extreme circumstances, years on to deal timetables. Worse still, it could kill a deal entirely. Take Alibaba's play for Moneygram for example, which was halted in January 2018 when a US government panel blocked the deal because of national security concerns.

We now live in a globalised, borderless, digital world. As a result, places with little obvious connection to deal participants and regulations in

An early understanding of the regulatory environments in which deal participants operate is critical to the execution of any cross-border deal

those locations could prove relevant to the deal. Sometimes such issues can come from left field. I once advised a Scandinavian buyer that was looking to acquire a US mobile games publisher. The only country where merger clearance was needed was Austria – where none of the deal participants had any corporate or on-the-ground operating presence, but where it appeared that turnover generated from a relatively small number of Austrian customers crossed a monetary threshold and triggered a filing obligation.

Successful cross-border deal teams need to include the right international experience alongside local, on-the-ground knowledge. This can both identify the regulations and regulators that are relevant, and help to plan and navigate interactions with these regulators.

TAX STRUCTURING

In a similar vein to the regulatory environment, the right tax experience within a deal team can mean the difference between the success and the failure of a deal. Tax rules and structures can vary dramatically from country to country. Coupled with a complex system of international tax treaties, and typically material financial consequences, cross-border M&A tax advisory work is not for the faint-hearted. Understanding the tax consequences of a deal and structuring the deal accordingly are vital for both buyers and sellers. Additionally, buyers need to ensure they have a full picture of the target's tax position. A thorough tax due diligence in-country can really add value in a cross-border context.

INSURANCE

The potential for warranty and indemnity insurance to de-risk a deal is admittedly not a revelatory insight. The ever-increasing use of the product continues to disrupt the M&A norms and the cross-border arena, which traditionally doesn't use insurance, is no exception.

Insurers have extended their range from the product's traditional base in Western Europe and Australia, and now deals across the US, Latin America, Africa and Eastern Europe are also considered insurable. Premiums – even in some of the more exotic jurisdictions – are competitive and deal participants across the world are becoming more comfortable with the product. Coverage limits have increased and bigger value deals are being insured as a result.

What is the take away from all of this? Don't discount the insurance product any more just because of geographies or deal size. It's worth at least taking some time early on in the deal process to consider whether it can help to facilitate and de-risk the deal.

CORPORATE CULTURE CLASH

Cultural integration is one of the main factors that can lower value once a deal has been completed. In a 2015 study from Mercer, 85% of companies believed that failure to address culture was a key barrier in failed M&A transactions. More than half of the respondents in an Intralinks survey regarded corporate culture as the most important factor leading to deal success.

However, culture is not just a post-closing issue. The most successful cross-border deal teams understand that failure to address culture clashes at the negotiating table can be a key barrier to a successful deal execution. While not unique to the cross-border context, the issue is definitely more acute in this forum. Differences in language; interpretation of verbal and non-verbal cues; cultural norms and references; negotiating style; and views of what is 'market' can all influence the success or failure of negotiations.

There is really no one size fits all approach to overcome this issue – save to say that deal teams need to be sensitive to differing cultural nuances and react accordingly. There is often a lot to be said for negotiations to be held in person as much as possible. This tends to be more efficient and also has a habit of overcoming some cross culture communication issues.

SHOWING SOME FLEXIBILITY

When it comes to cross-border deals there is an overarching demand for flexibility. Deal participants from different countries will inevitably have a different view at the outset of how negotiations should and will play out. If each were to hold out to have things their way, the deal would never get done. As a result, everyone needs to show a little bit of flexibility.

For example, it may be helpful for a more experienced party to adopt a flexible approach to matters such as governing law, or perhaps adopt a shorter form style of contract to suit the other less sophisticated party, in order to facilitate a smoother deal process.

Regulators may not operate in the same way as they do in a party's home jurisdiction. The tax or legal consequences of a particular action may differ. Different technologies may be favoured. However, cross-border deal teams, which include the right international experience and local on-the-ground knowledge, and which are able to adopt a flexible and dynamic approach to deal-making are best placed to overcome these challenges and de-risk their deals as a result. ●

The *Corporate Financier* de-risking deals series has so far covered: M&A warranty and indemnity insurance; political due diligence; investigative due diligence; environmental due diligence; several major legal issues; and reducing deal execution risks.

Darren Acres,
partner specialising in complex cross-border M&A, Dentons

APPOINTMENTS

UHY Hacker Young has recruited Rob Starr as corporate finance director in its London office. He had been working as an independent business strategy consultant.

Starr was previously corporate finance director at PwC Russia, and also held strategic and corporate development roles at GKN Plc and Care UK Plc respectively. He has 20 years of corporate experience in a diverse range of businesses and has worked more than 200 transactions – many of them international deals.

Paul Morris has joined **BDO**'s corporate finance team as head of growth advisory from Livingbridge, where he spent 14 years. Prior to that he worked in leveraged finance at Barclays. In his new role at BDO, he will advise UK businesses on growth opportunities with private equity investment.

"The UK economy is proving resilient to ongoing uncertainty, but companies need more support in unlocking finances to fund future growth," said Paul Eagland, BDO's managing partner.

"Private equity investment is an attractive option for ambitious, fast-growth businesses looking to expand."

Begbies Traynor Group has acquired Springboard Corporate Finance, a mid-market corporate finance practice with offices in Birmingham, London and Nottingham. Springboard works on buy and sell-side deals in the UK and increasingly overseas. Simon Ward, partner at Springboard, said that the acquisition gave it the resources to build the practice with greater pace and hire yet more high-quality staff.

Price Bailey has recruited Andrew Cook as transaction services director in its strategic corporate finance team from Moore Stephens. He previously worked for PwC and Deloitte, training as an ACA at EY.

Albion Capital has recruited Catriona McDonald (1) and Nadine Torbey (2) as investment associates, and Tanel Ozdemir (3) as analyst.

McDonald and Torbey will focus on tech investments for Albion's VCT portfolios, while Ozdemir will focus on the UCL Technology Fund – the IP knowledge transfer fund Albion manages for University College London.

McDonald, a graduate of Harvard University, has joined from Goldman Sachs, where she worked in renewable technology and power in both New York and London.

Torbey went to the American University of Beirut and Brown University before spending three years in Lebanon with Berytech Fund Management, where she helped manage Berytech's $52m Fund II.

Ozdemir was previously an investment analyst at Newable Ventures, having completed his PhD at UCL.

PE SHORTS

The Business Growth Fund (BGF) has opened permanent offices in Belfast and Cardiff. It has provided more than £25m of patient capital to Northern Ireland businesses since November 2015. BGF investors Paddy Graham, Gemma Hamilton, Euan Baxter and Graham Clarke will continue to cover Northern Ireland from the new office.

Graham said: "Our goal for Northern Ireland is to emulate the level of investment we've made in Scotland where we have invested circa £170m to date. I believe there is the opportunity to invest further in Northern Ireland."

The BGF has also opened its first office in Wales. Led by regional director Paul Oldham, Edwin Davies and Ned Dorbin cover South Wales, and Neil Inskip and Rhys Davenport North Wales.

Maven Capital Partners has recruited Andy Povey (1) and Raj Minhas (2) as investment managers in Birmingham. They will work on the European Regional Development Fund-backed £40m Maven MEIF Debt Fund. Povey was previously director at Seneca Partners in Birmingham. Minhas spent 30 years with NatWest.

The firm has also opened a Nottingham office and appointed David Tindsley (3) and Sajid Sabir (4) to support investments in the East Midlands. Tindsley has had a 35-year career with Barclays and HBOS in the East Midlands region. Immediately prior to joining Maven, he ran his own business advisory company, Cloudside Business Solutions. Sabir previously worked in Grant Thornton's corporate finance team, and prior to that, Orbis Partners.

Gibson Dunn finance co-chair Stephen Gillespie has joined private equity house **LetterOne** as its group general counsel.

Private equity firm **Key Capital Partners** has recruited Matt Tice as investment manager from Deloitte in Leeds, where he was corporate finance manager. He previously worked for BHP Corporate Finance and Mazars.

Westbridge Capital has recruited ACA Edward Minton from WK Corporate Finance. He previously worked at Terra Firma Capital Partners.

KPMG has appointed Richard Stark as corporate finance director and head of private equity in the North. Based in Manchester, he will co-ordinate KPMG's deal flow to private equity investors, in addition to advising on buy-outs.

John Gilligan has been appointed director of **Saïd Business School's Finance Lab**, succeeding Andreas Angelopoulos. Gilligan co-authored the Corporate Finance Faculty's book *Private Equity Demystified* with Professor Mike Wright.

Gilligan began his career in 1988 at 3i Group as a financial analyst before becoming a corporate finance partner at Deloitte and latterly BDO.

RSM director Sarah Barry (1) has moved from London to the firm's South East M&A team in Tunbridge Wells. She will cover Kent, Sussex and Surrey. Kirsty Sandwell (2), heads up corporate finance in the Southern region at RSM, and the South East team, which now comprises 35 specialist advisers.

Specialist insurance broker and risk consultant **JLT Specialty** has appointed Leon Steenkamp as head of tax insurance within its M&A insurance practice. He previously worked for EY in London.

Bill Johnston has joined P2P business lending platform **ArchOver** as non-executive director. He was on the ICAEW training committee for more than a decade, and has been group finance director for the Hampden Group since 2010.

Livingstone has recruited Jake Stacy (1), Joe Barnett (2), Jo Charles (3) and Niamh Buckley (4) to its London office. Stacy has joined the media and technology team as associate from Deloitte after relocating to London from Australia. ACAs Barnett and Charles have joined from EY and KPMG respectively. Buckley qualified as an ACA with Deloitte.

Clearwater International has recruited Richard O'Donnell as partner from Canaccord Genuity, where he was European head of leisure and consumer M&A.

IN RECOVERY

Robert Adamson has joined **Armstrong Watson** as restructuring, recovery and insolvency partner in its Leeds office.

Moore Stephens has recruited Chris Marsden as corporate advisory services partner to lead the practice in Bristol and the South West. He was previously head of restructuring and insolvency in the South West for EY.

FTI Consulting has recruited Iain Graham as managing director in its corporate finance and restructuring practice in London from PwC, where he led complex international restructurings, as well as PFI projects.

LEGAL BRIEFS

This month Bryan Cave and Berwin Leighton Paisner (BLP) will merge to become **Bryan Cave Leighton Paisner**, with combined revenues of more than $900m. The new international practice will have 32 offices across 11 countries, and a platform of approximately 1,600 lawyers. In May, the newly combined firm will open an office in Southampton, with the hire of real estate partners Anna Robbins and Verity Waington from Womble Bond Dickinson.

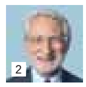
Co-chairs Therese Pritchard (1) and Lisa Mayhew (2) will lead the new combined firm.

Niamh Ryan and Elaine Keane are joining **Simmons & Simmons** in Dublin from A&L Goodbody. The Irish office, which will be led by partner, Fionán Breathnach, will build on the firm's position in the asset management and investment funds sector. Ryan was head of A&L Goodbody's London office.

In London, Satyen Dhana, competition partner, has joined its EU Competition & Regulatory practice in London from CMS.

Dentons has bolstered its UAE corporate practice with the hire of Ziad Saad (1) as a partner. He has joined from Vinson & Elkins, where he advised international and regional corporate clients across a industries in Europe and the Middle East, particularly in the UAE, Saudi Arabia and Kuwait. He previously worked for Ashurst and Shearman & Sterling.

In Canada, Hazel Saffery (2) has joined the Calgary office as corporate partner from Burnett Duckworth & Palmer. She advises on energy sector acquisitions and divestures.



Linklaters has made Matt Peers (1) global COO, in place of Peter Hickman who remains global CFO. Peers will join the firm's executive committee, and continue to be director of technology. In Milan, the law firm has recruited Roberto Casati (2) as corporate partner from Cleary Gottlieb, where he was senior partner.

Alexander Klein has joined **Gibson Dunn** in Frankfurt as counsel from Milbank Tweed Hadley & McCloy.

THE CV

Shelley McGivern joined Addeshaw Goddard in 2001, after graduating with a degree in law from the University of Liverpool. Based in Manchester, she advises on corporate deals in a number of sectors. In 2013 she was appointed as a deputy district judge.

Recent deals

- Murphy & Sons acquisition of Carillion's UK power framework business
- Bruntwood Group acquisition of Innovation Birmingham from Birmingham City Council
- South Africa listed WBHO's investment into the Byrne Group

NOTE TO SELF

Staying calm under the pressure of a media storm was vital in keeping the CCL/Innovia deal on track, says Addleshaw Goddard's **Shelley McGivern**

WHAT WAS THE DEAL?
CCL Industries' acquisition of Innovia Group for €842m from private equity firm Smithfield Group, completed in February 2017. Innovia is based in Cumbria and employs 1,200 people, manufacturing high-tech film products for packaging and industrial applications, as well as making British polymer £5 and £10 notes. CCL from Canada has been a long-standing client of Addleshaw Goddard which is their go-to legal adviser in the UK for M&A and legal opinions and reorganisations.

WHAT WERE THE TIMESCALES?
We received our first instruction in November 2016, and exchange took place exactly five weeks later. The deal was off-market, so timescales were very tight.

WHO WERE THE ADVISERS?
We had a large multi-disciplinary team working on the legal due diligence – lawyers in Poland, Russia, Canada, Australia, Mexico, Belgium and Switzerland were also engaged to assist. White & Case in London advised Smithfield. CCL carried out the financial due diligence and corporate finance work in house, drawing upon their global in-house capability.

WHAT WAS THE DEAL STRATEGY?
CCL has been producing the modern polymer banknotes in numerous jurisdictions for a number of years and acquiring that capability in the UK was a key driver for the acquisition, making CCL a true world leader in this market. However, banknotes were not the only growth area – the deal would strengthen CCL's position in the market for speciality packaging and thermoplastic film and surface coatings. The combination also offered significant operational improvement and opportunities for growth through customer and product innovation.

HOW WAS THE DEAL FINANCED?
CCL financed the transaction from existing capacity in its revolving credit facility and a new two year term loan. Refinancing the Innovia Group required appropriate releases from financial institutions across multiple jurisdictions around the world. Co-ordinating lawyers in multiple time zones and navigating the various nuances required in each of the jurisdictions was pretty fraught at times. Ensuring the funds and required documents were in the right place at the right time wasn't easy, but wasn't insurmountable – we got it all to flow seamlessly in the end.

WHAT WERE THE CHALLENGES?
The key challenge was co-ordinating lawyers in different countries so we could exchange in such a short timescale. Given the size of the transaction, the materiality threshold was pretty high, which cut out a lot of volume on due diligence. CCL was also very clear about what was important to them. Consent from the Bank of England, and its equivalent in several of the other jurisdictions was also required.

WHAT LESSONS WERE LEARNED?
You have to keep calm. Innovia hit the headlines during the process for using animal fat in the production of the new £5 note. While we were worried about the effect on the transaction, the CCL CEO remained calm and confident that the transaction would stay on track. His approach proved correct, as the media storm passed and the deal was completed. ●

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