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FEBRUARY 2018

GROWTH
OPPORTUNITIES
EXPERTISE

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Corporate Financier

LEADING ROLES

C-suite executives and corporate M&A, starring...

Marina Wyatt
CFO UBM

Mark Davies
CFO NewRiver

Patrick Spencer
Chief Operating Officer BMJ

Adam Councell
Group CFO Restore

with
Chris Hunt
Head of M&A
Rentokil Initial

February 2018 Issue 199

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value of M&A transactions in 2017, which is on a par with 2016 (according to Thomson Reuters)

Exhibitionist tendency

"The essence of strategy is choosing what not to do," wrote Michael Porter, an American academic and founder of the strategy consultancy Monitor Group (which was acquired by Deloitte five years ago). Sometimes, adopting this approach, and changing direction in the process, raises a few eyebrows.

In December I interviewed Marina Wyatt, the CFO of UBM Plc, for this issue's cover story (see pages 18-23). UBM, once upon a time known as United News & Media, later as United Business Media, had sold the *Daily Express* newspaper in 2000. Three years ago Tim Cobbold took over as chief executive. He immediately launched UBM's 'Events First' strategy. His aim was to focus UBM on its events and exhibitions business. His vision was that it would become the world's biggest in the sector, which would then be high margin and ripe for consolidation.

Since 2015 UBM has used a rights issue to finance the acquisition of Advanstar Communications in the US for $972m; sold PR Newswire to Cision for $841m and bought Asian events business All World for $485m. Wyatt describes these deals as "three transformational transactions over the last three years".

Last month UBM's focused M&A strategy was somewhat vindicated. Informa put in £4.2bn for the group. UBM's shares rose 12% on that news. Interestingly, Informa's fell 6%, so how the takeover proceeds could prove intriguing. Informa is looking to build scale in the events and exhibitions sector – clearly at least some of its shareholders need to be more convinced about its strategy.

As the other C-suite directors in this month's cover story say, clarity of purpose for a corporate is vital. How M&A fits into that is crucial. But a strategy remains a strategy until it is delivered. Successful execution is what it's all about. As Sir Winston Churchill put it: "However beautiful the strategy, you should occasionally look at the results."

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NEWS & EVENTS

CRAIG AND SKAILES JOIN CORPORATE FINANCE FACULTY'S BOARD

The faculty has brought two new members on to its board – RSM partner Diane Craig and PwC partner Duncan Skailes.

Craig, head of capital markets at RSM, has advised companies across a range of sectors and geographies on public market transactions, including IPOs, secondary fundraising and takeovers.

"As much as the faculty is part of ICAEW, many of its members are not accountants, so the faculty needs to represent that diversity," said Craig. "The high-calibre group of people on the board from a wide range of corporate finance backgrounds certainly addresses that. I hope to bring my capital markets experience and perspective to the faculty. It is a very commercial board, but with a technical foundation. It's a very good forum to share thoughts and current practice. I often find that capital markets see market moves, upturns and downturns, first. They're a good barometer of sentiment and outlook."

Craig recently advised on the listing and £250m fundraising of PRS REIT, as well as the AIM IPOs of fast fashion brand Quiz and Keystone Law. She sees regulation as being a big challenge, including the inevitable impact of Brexit on EU capital markets.

Skailes is a partner in PwC's UK financial services corporate finance team and leads the firm's private equity relationship team.

Skailes has been with PwC for 30 years. He is based in London and experienced in advising on public and private M&A transactions and management teams on incentive plans in MBOs.

"A significant part of my advisory work is cross-border, so I'll bring some more insight on international deals to the faculty board. I've done some big deals as well as many more modest £50m-type deals. My experience will complement that of the other board members."

For six years Skailes sat on PwC UK's supervisory board, chairing it between 2010 and 2012. In 2017 he was elected to sit on PwC's global board, and joined the firm's Middle Eastern board and UK supervisory board.

"Change is good for M&A," he said. "When I look at how deals are increasingly being financed, an ever-broadening range of sources of equity are being used. Where it used to be quite compartmentalised, with defined private equity, infrastructure and property funds, now hedge funds, pension funds and sovereign wealth funds are also directly investing, as well as family offices. There are additional new competing classes of capital looking to find investment opportunities. I think that will continue.

"Sitting in a regulated multidisciplinary firm like PwC, increasing US, European and UK rules around what we can and cannot do is having an impact on corporate finance in large organisations."

FACULTY CO-ORDINATES ICAEW RESPONSE TO REVIEW OF M&A AND NATIONAL SECURITY

The Corporate Finance Faculty has submitted a response to the UK government's *National security and infrastructure investment review*, on behalf of ICAEW. There were two parts to the consultation. The first part of the government proposal amends the turnover threshold, so that the government would be able to intervene in mergers involving businesses with more than £1m turnover (£70m previously). It would also be able to intervene in mergers in parts of the advanced technology sector. The second part of the green paper sought views on long-term reforms to ensure that investments and takeovers will not create national security risks. In its response, the faculty said the new approach should target clearly defined sectors and transactions, and involve "a highly effective screening process".

David Petrie, ICAEW head of corporate finance, said: "A deeply undesirable consequence of these proposals could paralyse parts of the tech M&A market, resulting in a larger number of referrals to the CMA.

"We would propose a test that identifies proven military connections. Does the business have any existing contracts with the MoD, or with UK-based defence contractors or suppliers to HM armed forces or UK government agencies?"

Katerina Joannou (pictured), capital markets expert at the faculty and ICAEW, co-ordinated the response. She said: "A clearly targeted approach would prevent uncertainty and ambiguity over interpretation, which can delay investment. Adequate resources and sector experience will be necessary to ensure successful implementation, so that the operations of businesses involved are not unduly disrupted."

DROOMS BRINGS DATA ROOM EXPERTISE TO FACULTY NETWORK

The latest firm to join the Corporate Finance Faculty is virtual dataroom provider Drooms. Founded in Germany in 2001, the innovative software provider allows companies controlled access to confidential corporate data across company boundaries and provides tailored solutions for the entire value chain and lifecycle management of assets. Drooms software ensures confidential business processes including commercial real estate sales, M&A, and non-performing loan transactions are handled securely, transparently and efficiently. Drooms entered the UK market in 2012, and has eight other European offices in Paris, Frankfurt, Munich, Vienna, Zug, Amsterdam, Madrid and Milan.

Rosanna Woods, country head for the UK at Drooms, said: "In Germany we have become the go-to people for real estate transactions and so naturally real estate investment funds and other key industry players were points of entry for us in London. We're also now very active in the corporate finance sector, most recently partnering with investment banks."

Woods says security is paramount. She points to the European Commission's (EC's) General Data Protection Regulation (GDPR) and wider client concerns regarding security of data. Not only are current EC regulatory requirements met by Drooms software, but it is also prepared for the GDPR to come into force in May.

"We are the only firm to have built our own application, and the first provider to create a truly intelligent data room, having integrated machine learning into our platform. We plan to increase the level of automation in the data room, freeing up time clients spend on tedious tasks," she said. "The commercial property market is fast-moving and highly volatile. Looking past individual transactions and considering the entire lifecycle of an asset gives our clients the opportunity to be transaction ready at all times.

"Joining the Corporate Finance Faculty is important for us as we continue to cater to the M&A market specifically. In that sense it's a perfect match for us".

Shaun Beaney, manager at the Corporate Finance Faculty, added: "Drooms brings another area of specialist expertise to the faculty's representative, public-policy, technical and regulatory work, as well as insight to innovation in approaches to the process of transactions."

2018 FACULTY AGM

The Corporate Finance Faculty has invited its member organisations and individual members to the faculty's annual general meeting (AGM) at Chartered Accountants' Hall in London on 3 May 2018 at 12:00pm.

As is traditional, the meeting will include a short review of the faculty's work on behalf of its members and on behalf of ICAEW over the past year, including the faculty's representative work with government departments and other organisations, its contribution to the UK government's industrial strategy, its work on the Patient Capital Review, its consultation on prospective financial information for capital markets, its de-risking deals initiative, and its popular publications, such as *Corporate Financier* and the best-practice guidelines about valuations and asset-based finance.

Mark Pacitti, chairman of the faculty, and David Petrie, ICAEW's head of corporate finance, will also outline the faculty's plans for 2018 and 2019.

The AGM is always well attended, so it is another good opportunity to meet other members, the faculty's board, its technical committee and staff, over a buffet lunch.

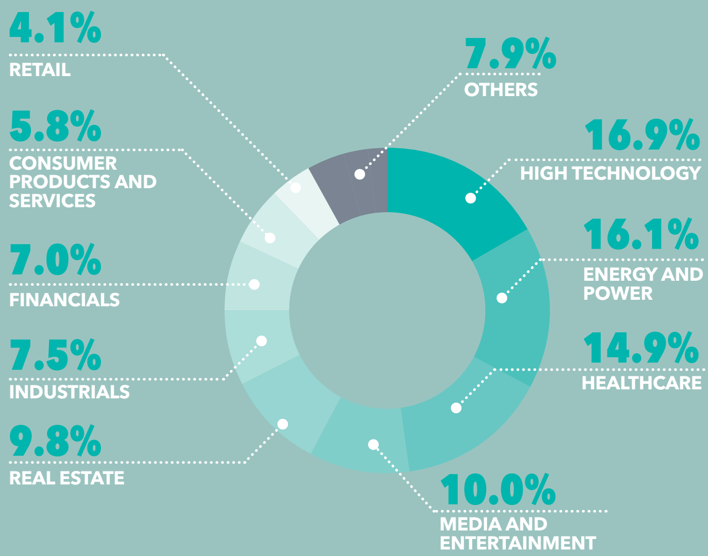
If you would like to attend the AGM, please contact Grace Gayle on +44 (0)20 7920 8656 or email grace.gayle@icaew.com

GETTY

IN NUMBERS

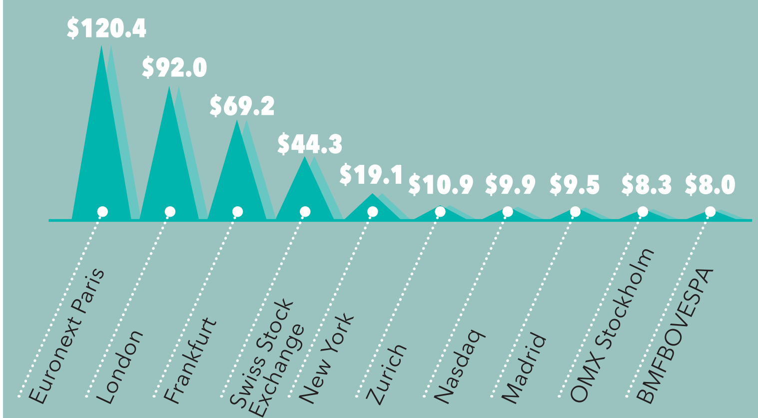
2017 M&A transactions maintained in the trillions, last year's largest IPO, and US target announced M&A by industry

TOTAL VALUE PER INDUSTRY OF US M&A TARGETS 2017 (ANNOUNCED DEALS)



$867.5bn	$184.7bn	30.5%	11.9x
M&A involving European targets in 2017	M&A involving UK targets in 2017	Average UK bid premium to four-week share price prior to bid in 2017	Average UK exit multiple for 2017
17% UP ON 2016	11% UP ON 2016	DOWN FROM 38.1% IN 2016	UP FROM 11.5X IN 2016

PRIMARY LISTING MARKETS OF THE MOST ACQUISITIVE EMEA COMPANIES – TOP 10 ($BN) 2017



SOURCE: ALL THOMSON REUTERS

RISE IN THE VALUE OF SPIN-OFFS

£1.1trn

Global company divestments in 2017

16% UP ON 2016

SOURCE: DELOITTE

RECORD-BREAKING M&A

$3.6trn

value of M&A transactions in 2017 - the fourth year in a row to hit £3trn

SOURCE: THOMSON REUTERS

$196bn

Amount raised by 1,700 IPOs globally in 2017 (up 44% in 2016)

THE HIGHEST AMOUNT SINCE 2014, AND WHICH INCLUDED THE $25BN RAISED BY ALIBABA

$3.9bn

Raised by Snap (the owners of Snapchat) – the largest IPO in 2017

€3.4bn

Raised by AIB – the largest European IPO in 2017

SOURCE: DEALOGIC

JACKIE BOWIE

VALUE CREATION

What macroeconomic, political and market trends will shape international M&A for the rest of 2018?

Ongoing global economic expansion continued through to Q4 2017. The US continued to drive global growth, expanding at about 2.3% on an annualised basis. The eurozone caught out market participants with an unexpectedly strong year, and looks like it will record growth of approximately 2.3%.

The odd one out was the UK, where the government's focus on Brexit to the exclusion of all else began to weigh a little on confidence. Even so, the UK still looks on course to record growth of 1.5% for the year.

Despite Donald Trump's outlandish statements and outrageous Twitter feed, the markets are responding positively to the concept of tax reforms and cuts to bureaucratic red tape in the US. Furthermore, after the 25 basis point interest rate hike in December – the third rise of 2017– markets are sanguine about the possibility of more rate rises this year.

Of less market focus – but more import – is the Federal Reserve's shrinking of its $4.5trn balance sheet. Starting at $10bn per month in September 2017, the reduction has already reached $20bn per month, and will do so every quarter until it reaches $50bn. This very real unwinding of quantitative easing (QE), and the smoothness or otherwise of the process, will define the health of the markets in 2018 and beyond.

EUROPEAN QUESTION

In the eurozone, rates were left on hold in December, with Mario Draghi in no mood to rock the boat of economic recovery. European Central Bank asset purchases are set to continue at €30bn per month until at least September, in direct contrast to the Federal Reserve. This should limit the euro's strength despite the eurozone's strong economic recovery. A quicker tapering of QE, and earlier than expected increases in interest rates, is not outside the realms of possibility – this could take the markets by surprise.

Following the news that the consumer price index in the UK had hit 3.1% in November, Mark Carney will write to Philip Hammond explaining that the increase was an exchange rate-related blip, and did not warrant a monetary policy response. Somewhat unbelievably, he will not communicate this until this month, to coincide with the Bank of England's next *Inflation Report*.

UK interest rates historically follow US rates, and with only one rise expected in UK rates this year, but two (or three as the Federal Reserve suggests) in the US, markets might be surprised by the frequency of UK rate rises in 2018.

WHAT ABOUT DEALS?

Against this backdrop, market confidence remains high. Globally there was $3.6trn of M&A transactions in 2017, which is on a par with 2016 (according to Thomson Reuters). Deal volumes rose 3%, so that 2017 saw the highest number of transactions since records began in 1980. There were fewer Uber-sized transactions.

The catalyst for more activity is equity value creation. A rise in shareholder activism is also noted, which is driving corporate break-ups and sale of non-core assets. Furthermore, sellers want to take advantage of high valuations. Private equity-backed companies, which were very active in M&A in 2017, can take advantage of the large equity pools and cheap debt available to them: it all bodes well for this year's activity.

However, predicting the shape and motivation for M&A is increasingly difficult. Standard labels of 'vertical' and 'horizontal' integration no longer suffice. The rationale for M&A is data-driven (such as Amazon's purchase of Whole Foods); or new technology-driven, with artificial intelligence and cyber security continuing to be prominent. Others seek access to different routes to market through M&A, as Aviva's acquisition of Wealthify, moving them into robo advice, proves.

Next year looks to be more of a challenge. The full effect of rising interest rates will be felt, and equity valuations will be unlikely to sustain their current levels. But for now, the 2018 outlook for deal activity remains very positive. And strong economic fundamentals support that view. ●

Jackie Bowie, chief executive, JCRA and a member of the Corporate Finance Faculty's board

WHICH WAY, UK?

Unveiled in November 2017, the UK government's industrial strategy set out plans to maintain Britain as a cutting-edge economy – especially in the context of Brexit. Focused on five key foundations of productivity – ideas, people, infrastructure, places and business environment – the proposals focus on the UK's likely future strengths on the world stage: artificial intelligence and the data economy, mobility and clean growth.

As ever, the devil will be in the detail. The government has pledged to raise investment in research and development to at least 2.4% of GDP. The British Business Bank will also manage a £2.5bn investment fund and a £500m seed fund, which was announced in the UK government's 2017 budget. In some areas the proposals are sketchier. What do the experts think?

David Petrie,
head of corporate finance, ICAEW

"Even before the industrial strategy was announced, we'd been working alongside the Institution of Engineering and Technology on practical measures to boost funding for engineering and technology, and we were able to feed those proposals into the government's consultation. We're pleased to see that initiative reflected in a determination to confront the funding gap, because finding finance for businesses that don't fit the traditional models is still very challenging, particularly where they are capital intensive and not yet cash generative, or where the technology is not fully proven.

"We also think the priority areas chosen are the right ones. You might characterise them as unstoppable global trends, and it makes sense to have a strategy that reflects the way the wind is blowing and plots a course accordingly. It's not as crude as picking winners. These are areas where the UK has a good chance, given the country's traditional strengths in science and R&D.

"The key is going to be ensuring that the fresh money coming into the system is deployed creatively to support businesses that would otherwise not attract funding. The British Business Bank is the obvious organisation to do that. But it will also have to find new investment models that have parameters that ensure that we don't see more innovative investment funds crowded out by their larger, more conventional peers, who might see this as an opportunity to secure finance on cheaper terms.

"It's also important that we accurately monitor the impact of the new government money committed to the industrial strategy."

Sonali Parekh, head of policy, Federation of Small Businesses

"To solve the productivity puzzle and create the sustained wage growth that will ultimately lead to higher living standards, it will be critical to focus on all 5.5 million smaller businesses.

"It is well proven that public sector research and development (R&D) investment crowds in private sector investment. We welcome the commitment to 2.4% of GDP being spent on R&D investment by 2027 and the Industrial Strategy Challenge Fund initiative. Equally, the state through public procurement can support new-to-market innovation.

"The Small Business Research Initiative shows that small businesses have an important role to play in this. But if we are to tackle under-productivity across the piece, it is just as important to focus on the adoption and diffusion of innovation. It is not that firms are creating less new-to-market innovations, but rather that this innovation is not being diffused as it has previously. And it is the rate of innovation diffusion throughout the rest of the economy that largely determines the overall productivity rate.

"Skills supply is key and we welcome the renewed focus on technical skills and the national retraining scheme. Exporting is key to driving up the productivity of small businesses. That is why the review of the UK's export strategy must have small businesses front and centre and not disproportionately focus on mid-scale and larger businesses. By contrast, there are genuine opportunities for small businesses to gain from import substitution. But they will need help and support to do this."

Keith Morgan, CEO, British Business Bank

The industrial strategy is ambitious and wide-reaching and there are numerous developments, which will have a positive impact across the UK. For us though, it was heartening to see the importance placed on small businesses, and the British Business Bank will have an important and active role to play in two of the strategy's key pillars: business environment and places.

"We share the government's concern about regional imbalances in small business financing. A healthy and productive small business sector requires a diverse range of funding options and a diverse range of funding providers. What's more, this diversity needs to be spread across the UK.

"The network of British Business Bank regional managers will be rolled out by autumn 2018 to ensure businesses across the UK know how to access sources of investment."

Dr Dave Smith, director of central technology, Rolls-Royce and chairman of the Institution of Engineering and Technology innovation panel

"The industrial strategy mentions funding 42 times, which is a good start. It also accepts that public funding drives innovation, which is well proven globally but hasn't always been accepted in the UK, and that public funding unlocks greater levels of private investment.

"We think the strategy is right to pick winning sectors. While those sectors that have not been mentioned may feel their contribution to the economy has not been recognised, this approach builds on what we already have today.

There are other funding mechanisms in place to serve industries such as aerospace and defence.

"A key feature is the geographical one. Clustering is a very successful approach, whether created or grown organically, and if we want to rebalance the UK economy away from the South East, we need to encourage these structures elsewhere – such as the concentration of engineering composites around Bristol, for example. There is a key role for the British Business Bank here, with an explicit regional brief.

"Scale-up is the area where the jury remains out. The plans for a 'scale-up taskforce' suggest the government is now genuinely interested in how business and innovation really works, but the detail of what this taskforce will actually be able to do is thin. The commitment to use government data to identify the potential for scale-up is an interesting concept, though again it is not clear how this will work in practice. This is one of those areas where we have to applaud the government's intent, while offering support to those tasked with making sure it has real impact."

Robert Hannah, partner and head of operations, Grant Thornton

"The good news is that the industrial strategy covers the right areas, in our view, and the focus on local strategies with local leadership is important – bespoke proposals with local engagement are more likely to succeed. It's also encouraging to see the prioritisation of people and training, that could encourage better use of the apprenticeship levy.

"On the other hand, it's disappointing there's so little on exporting, with no immediate action planned. We need to mobilise the private sector to address the productivity gap. An export focus would help, but there was no mention of some of the ideas we proposed, such as export tax credits for research into export markets and the costs of setting up in new markets; and collaboration frameworks to enable SMEs to work with larger corporates, developing better supply chains and better access to distribution channels.

"What about a plan to encourage pension scheme investment in regional infrastructure and exporting companies, for example? Still, the effect of Brexit will have to be addressed. If we can secure a soft Brexit, the UK should be an attractive place to invest and businesses should be more active in pursuing opportunities in export markets. If some of the funding options on infrastructure are adopted, there will be a significant boost to demand for advisory services."

Scott Henderson, managing director, Jumpstart

It's the first time since the 1970s that we've had this sort of policy in place, and we certainly need a cohesive strategy to deal with some of the persistent problems the UK faces. In particular we are consistently behind our international competitors on productivity and investment in R&D. We spend about 1.7% of GDP on R&D compared to an OECD average of 2.4%, and an EU target of 3%.

Moving to a policy of targeted interventions to support innovation is exactly the right direction of policy. However, we have concerns about how these interventions will be managed. For example, there will be a significant increase in the volume of grant funding that is available for businesses investing in innovation, but there is a danger of creating a culture of dependency. Rather than encouraging businesses to apply for grant finance simply because it is available, a better option might be to expect them to self-fund while incentivising innovation by providing tax relief at the back end, through schemes such as R&D tax relief and patent box.

The grants option also tends to favour larger companies that have the resources to manage the application process, while SMEs miss out. Given that SMEs are where innovation is to be found, that's potentially a disconnect.

1.7%

Average percentage of GDP the UK spends on R&D, compared to...

2.4%

OECD average

David Hayers, head of growth finance, Clydesdale Bank

"At a time when there's so much uncertainty about what the post-Brexit environment will look like, anything that provides some clear direction is welcome, particularly given the real problem the UK has with productivity.

It's obvious from the industrial strategy that there has been a comprehensive conversation with business, which is welcome, given some of the previous top-down government initiatives. What is important now is that we retain this strategy for the long term, regardless of who is in government.

The challenge will be to make sure we don't just focus on the triangle between London, Oxford and Cambridge, because that will fuel the popular resentment felt elsewhere in the country – this has to be a national strategy. There are some established and emerging high-tech hubs outside the South East, which need to be supported.

"The intention to supplement the funding through the British Business Bank with more grant finance will only work if the system is clear and well signposted, because businesses have told us they find navigating their way through the various types of funding available to be difficult at times."

UNITING CITIES

The North West is one of the UK's fastest growing and most dynamic regions for business. Is it also set to become a M&A powerhouse? Jason Sinclair finds out

Media City coming to Salford has enhanced deals

The North West of England has become a hotspot for international private equity. Last year, Dutch buy-out specialist Waterland opened its first UK office, and interestingly it wasn't in London, but in Manchester. Ardenton has set up its first operations outside Canada in the city too.

"There are lots of good entrepreneurial businesses in the North West," explains Jo Sheerin, who leads KPMG's national deal origination and has been based in the region for the past 15 years. "Research shows that the North West invests a lot more in founders than other parts of the UK. As a result, you have 25-plus investment firms that have developed in the region in the past decade."

Two decades ago, there were only a handful of private equity firms in Manchester, dominated by 3i. Now many more have joined them.

"It's a market that's continued to develop with new funds opening," says ECI managing partner Steve Tudge, who set up the mid-market private equity firm's Manchester office in 1997. "Part of that is down to the advisory infrastructure, with very experienced corporate financiers, lawyers and bankers. There are senior people on the deal side, in places like Deloitte and KMPG, who grew up in the North and who now have national roles."

Sheerin says Manchester attracts a broader range of investors. "There are quite a few players coming into the market. It is at the scale-up end as well. Accelerated Digital Ventures launched recently too. So it is developing across the board."

BREADTH OF CAPITAL

The region's corporate finance community is centred on the professional services centre of Manchester. But the deal net is cast wide. Its borders are normally defined as North Wales to the west, the Pennines to the east, Scotland to the north and, to the south, Staffordshire.

"When we first came here, Liverpool was definitely its own market and there was activity in Preston," says Tudge. "There still is corporate finance activity there, but at the smaller end of the market. Manchester does tend to dominate."

While the North West is large geographically, the corporate finance community is tight-knit. "People can be on opposite sides of deals, but understand that ultimately we're trying to get a deal completed," says Jon Pickering, head of Manchester at NorthEdge Capital. "In a community like this, people realise that short-term difficult behaviour will turn around and bite them, and act against them in the future. So, people are very conscious of behaving the right way, and the vast majority of the community does."

Oliver Tebbutt, a Manchester-based partner at Deloitte, believes there's a "breadth of capital" in the Manchester market, meaning businesses would not have to look farther afield. "The private equity industry in Manchester is the largest outside London, with between 15 and 20 good-sized PE houses in the region. There's been a consistent level of activity for a long period of time, therefore we've worked together for a long period and that's built a community."

"The North West invests a lot more in founders than in other parts of the UK"

Jo Sheerin, **head of deal origination, KPMG**

"Infrastructure... creates deal capability and develops self-sufficiency"

Steve Tudge, **managing partner, ECI**

NorthEdge has completed transactions on Merseyside, worked with advisory teams in Preston, and Pickering says they visit banks in "their back yard rather than expecting them to come to Manchester". Perhaps the firm's most successful deal was the sale of Chorley-based Utiligroup to Energy Services Group in April last year – the ROI was 5.7x.

Pickering says NorthEdge looks at between 180 and 200 opportunities in the region each year and he estimates that of those, 40% come directly from the advisory community. For the other 60%, the firm hires local advisers to work up opportunities and carry out due diligence. NorthEdge was very active last year with exits and investments, but Pickering says it has the capacity to do even more.

Manchester has perhaps seen great change in recent years. "There's increased confidence in the city," says Tudge. "Then there's the infrastructure – the developing universities and Media City. Infrastructure is a virtuous circle: it creates deal capability and develops self-sufficiency." Self-sufficiency crops up a lot.

NORTHERN POWER

What of the Northern Powerhouse – the initiative launched by former chancellor George Osborne in 2014 with the *One North* report? Time will tell if it is more than just a label. "There have been entrepreneurial businesses around here for a long time. But more local empowerment would help," argues Pickering. Tudge welcomes initiatives to "balance things a little more

SPREADING THE NET WIDE

It may be centred on Manchester, but the North West business base is more widely spread. In 2014, NorthEdge Capital looked 35 miles south to Stoke-on-Trent-based door manufacturer Solidor.

As part of a buy-and-build strategy, Solidor was wrapped into DW3 Products Group, with a mandate to open up opportunities through acquisition in the door, window and conservatory sector. Subsequent acquisitions include window companies Eclectic Systems and Window Widgets.

DW3 has seen sales grow tenfold in five years. NorthEdge's capital has been used to fund acquisitions, as well as invest in IT, operations and capacity. On all deals, Altium advised Solidor/DW3, with Manchester teams from BDO (financial and tax due diligence), KPMG (tax structuring) and Pinsent Masons (legal) advising NorthEdge.

"We're situational investors – case-by-case," says NorthEdge's Jon Pickering. "We're focused on management. Clearly there are certain sectors, including software, that have more favourable revenue models with long-term recurring revenue, however we have investments in DW3, a composite door manufacturer, for example, and with specialist chemicals companies. It's all about backing people who have disruptive business models and track records of success. That's what gets us excited.

"If they've got an attractive revenue model, that's an extra tick in the box."

Liverpool is traditionally seen as its own market

PRIVATE EQUITY FIRMS IN THE NORTH WEST

- Ardenton Capital Corporation
- ECI Partners
- Endless Private Equity
- Equistone Partners Europe
- Foresight Group
- Inflexion Private Equity
- LDC
- Livingbridge
- Maven Capital Partners
- Mercia Fund Managers
- Montagu Private Equity
- NorthEdge Capital
- Ober Private Clients
- Palatine Private Equity
- Waterland Private Equity
- YFM Equity Partners

SOURCE: VARIOUS

away from London", but says its "frustrating that there isn't more political impetus". Manchester and the wider base have long had the space, an industrial base, well-regarded universities and demand. "But it needs support for infrastructure projects," says Tudge. "This gets business owners and investors more exercised than Brexit."

Pickering reports that Brexit has not had any huge impact on deal flow or appetite, while Tebbutt says the normal business and capital cycle is having more effect on deal flow than anything "macro" like Brexit. "A small business growing rapidly in its target market with a good product still gets to the point in its lifecycle where capital decisions have to be made, whether to raise capital for new opportunities, or a founder wanting to de-risk. If there's a great market opportunity and you need £5m to exploit it, then that's the prompt for deal making. That's independent of Brexit."

NEW ORDER?

Tech companies are the "in" investment for the North West, as perhaps elsewhere. And, much like elsewhere, the volume is steady while valuations are high. "Private equity has to be fairly confident to get to some of the pricing levels we're seeing," suggests Tebbutt. Inevitably, businesses that can command those multiples are technology-enabled. Manchester has a strong tech sector, spinning out of the universities and large media businesses."

Both NorthEdge and ECI invest in a wide range of sectors, with NorthEdge being a situational investor "focussed on management", investing in the £5m-£45m bracket in companies in a range of sectors - software, and also chemicals and manufacturing. ECI mainly invest in TMT and consumer companies, which Tudge admits "is still pretty broad".

"There's a very entrepreneurial base of companies here," he adds. "There are a few large corporates but they don't dominate the economy. The base is SME heavy with a lot of innovation - great conditions for private equity."

Pickering remains optimistic about the region's future, hoping it retains the confidence to ensure continued prosperity. He adds that people should continue to focus on what makes their businesses special for success. "Don't focus on the things outside of your control. We're not macro-economic investors - small niches are what private equity loves." ●

"Private equity has to be fairly confident to get some of the pricing levels we're seeing"

Oliver Tebbutt, partner, Deloitte

LENDING HAND

David Hayers, who leads growth finance nationally at Clydesdale Bank, views the North West as one of the main advisory communities beyond London that is growing very successfully.

"There is a developing corporate finance and investment ecosystem centred on Manchester that is gaining momentum," says Hayers. Cambridge has been successful in achieving what is a largely self-sustaining investment environment following the successful sale of a number of companies, which led to the creation of a number of business angel networks. For some time now, these have been helping to fund various cohorts of start-up companies. Manchester isn't quite as developed yet, but it is gaining impetus. We are seeing a number of opportunities at the moment."

He says his team has completed three deals in the past six months in the North West in the tech and fintech sectors. He adds that there is also a fair amount of specialist investment happening. While there is a media angle to some opportunities as a consequence of the BBC moving to Salford, it is not just in media.

Clydesdale also has a substantial acquisition finance arm in Manchester, which works closely on opportunities with the bank's growth finance team. "Even though a number of specialist advisers have opened offices there recently, in general it is a much less segmented market than London, and therefore more efficient to navigate. We believe it will remain a strong market for us which will continue to benefit from a high profile."

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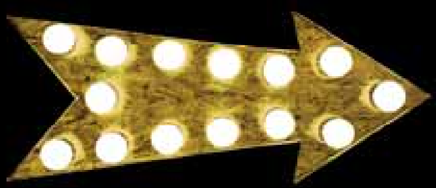
THE WORLD IS A STAGE



M&A is central to the plot at many major growing companies. Marc Mullen talks to four experienced corporate directors about the roles they play in ensuring that deals are hits, not flops

MARINA WYATT

Wyatt is CFO of UBM Plc, the events and exhibitions business that Informa bid $4.2bn for in January. Previously CFO of TomTom for 10 years, she was also CFO of Colt Telecom and group FD at Psion Plc. Wyatt trained as an ACA with Arthur Andersen, working in London and the US. She is non-executive director of Shanks Group Plc and member of the supervisory board at Lucas Bols BV.

HOW HAS M&A CHANGED UBM'S BUSINESS?

UBM has made three transformational transactions over the past three years as well as continuing to make 'business as usual' acquisitions and disposals. In 2014 UBM became the biggest events business in the US following the acquisition of Advanstar Communications – which was acquired for $972m. It was financed with a rights issue.

The second was the disposal of PR Newswire. It was a significant company but it didn't fit the Events First strategy, so we took the decision to sell soon after I joined the company. In June 2016 we completed its sale to US private equity firm Cision for $841m. We returned approximately half of the proceeds to shareholders as a special dividend. The other half we reinvested in a big Asian events business called Allworld in December 2016, for $485m. The family that owned Allworld put it up for sale, and it was a well organised sale process – three rounds of bids involving quite a few parties. We were the eventual winner. We had a lot of debate with our board and advisers to actually pitch that right. A board sub-committee was put together to work with us all the way through. Our head of M&A and bankers negotiated with their advisers and access to Allworld management was conducted in a limited number of structured sessions where we tested our due diligence findings.

UBM PLC

$972m

VALUE OF UBM'S ACQUISITION OF ADVANSTAR COMMUNICATIONS IN 2014

HOW IS YOUR M&A RESOURCE STRUCTURED?

We have four people in M&A at the centre of the group, and in each of the three regions – EMEA, Americas and Asia – we have a couple of business development people, and one of their responsibilities is acquisitions. Every acquisition has to be approved by the CEO and myself. We have a structured process to assess targets: we value them, work out the synergies and then decide whether they are to be brought forward, and we can only do that if they meet our returns criteria.

HOW IMPORTANT IS SMALLER-SCALE M&A TO YOUR STRATEGY?

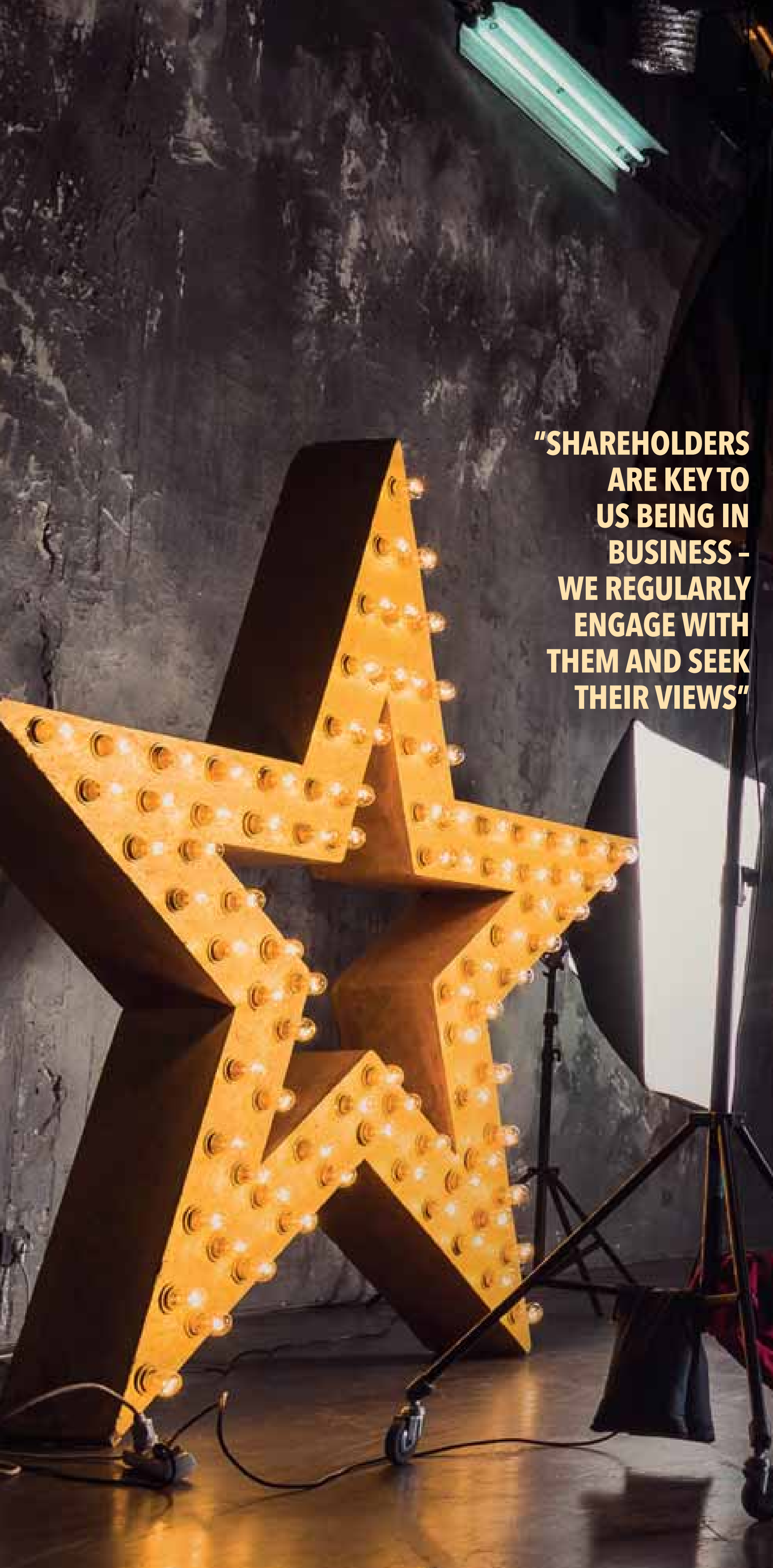
Bolt-on acquisitions are a core part of our strategy. They are much smaller in scale than those other deals, but we are constantly looking for bolt-ons – we plan to spend £50m to £100m on such acquisitions in a single year. These acquisitions are to strengthen our positions in particular geographies and particular verticals. We run the whole process for bolt-ons in-house from an M&A point of view, but typically we'd appoint third-party advisers for due diligence, particularly commercial due diligence, as we need to understand the market position of the target. We'll have a working hypothesis on it, but we really have to be sure we have tested that out. If it is not in the competitive position we think it is, that will cause trouble further down the road.

What makes events businesses strong is when they own the vertical sector and the geography they are in. We are in 11 sectors. We and other events companies do not tend to compete head on, so when we make acquisitions we want the business to line up against one of our verticals and be in a territory where we have a presence.

HOW IS COMPETITION AFFECTING PRICING?

The events market is highly fragmented, so there is a tremendous consolidation opportunity. We are the second largest in the B2B events market and we have a 4-5% market share, and the largest has around 6%. There is a lot to go at, but it is competitive. The events industry is attractive – it is asset-light, high margin and highly fragmented. Because of the fragmentation we are not up against the same people all the time, so there is a varied landscape.

Private equity is definitely interested in this space now, which has driven prices up. There will be deals that we walk away from now that a few years ago we didn't. That is because of the price rise, which makes it more difficult to deliver the returns we require. But there continues to be a good pipeline.



MARK DAVIES

“SHAREHOLDERS ARE KEY TO US BEING IN BUSINESS – WE REGULARLY ENGAGE WITH THEM AND SEEK THEIR VIEWS”

Davies is CFO of NewRiver, a real estate investment trust (REIT). NewRiver was founded and listed on AIM in 2009. In August 2016 NewRiver obtained a premium listing on London’s main market. Its portfolio of assets is now valued at £1.2bn.

In 2016 New River made £342m of acquisitions and £46.2m of disposals. Last year the group refinanced itself, raising £225m of new equity and replacing its secured loans with £430m of new unsecured facilities – a £215m revolving credit facility, a £165m term loan and a £50m bridge loan.

Davies trained as an ACA with Carr Jenkins & Hood before joining Grant Thornton, then PKF (now part of BDO), as a partner and head of real estate. He joined Exemplar Properties as finance director before joining NewRiver in 2009.

WHAT ROLE DO YOU PLAY IN CORPORATE RESPONSIBILITIES TO SHAREHOLDERS?

We have a collegiate management style at NewRiver. Myself, CEO David Lockhart and property director Alan Lockhart all work very closely. Last July we raised £225m of equity at a 14.7% premium to net asset value, which was a real result in a market of growing political and economic uncertainty. I did about 125 investor meetings and David attended around 75% of those. Alan also now meets the top shareholders once or twice a year.

Our shareholders are key to us being in business – we regularly engage with them and seek out their views on our strategy, on how the business is doing in their view, and how we can make improvements. That level of engagement is how, I believe, we can raise new equity at such a premium.

WHAT WAS YOUR ROLE IN THE REFINANCING LAST YEAR?

Historically all our debt was secured, predominantly in the form of bilateral loans and non-recourse financing – pretty standard stuff. It had long been my plan to move from a secured structure to an unsecured structure and I found it would save cost at the same time about two years ago. It is one of the unintended consequences of the changes to bank regulation. The banks put a risk premium against all property loans, but if they lend to us as a corporate on an unsecured basis it is no longer a property loan. However, to go unsecured, you first need to have scale – about £1bn of assets. Second, you need a prudent gearing policy – less than 40% loan-to-value. We had both. And maybe less tangible – we have good relationships with our banks.

DO THE UNSECURED FACILITIES REDUCE EXECUTION RISK FOR ACQUISITIONS?
It is transformational for our business – we now have access to a much bigger pool of global capital and the debt markets. Having debt on an unsecured basis gives us much more flexibility as to how we manage and grow the business. Historically property companies with unsecured debt structures have proved much less risky than those with secured – they can implement their strategy without the financial covenants of secured debt.

HOW DO YOU APPROACH ASSESSING AN INVESTMENT OPPORTUNITY?
We invest specifically in community assets, buying into the income stream of the rental income from that property asset. We have long-standing relationships with Eversheds and Cushman & Wakefield that predate NewRiver, and with Deloitte and BDO. As well as legal and financial due diligence, key for us is talking to the retailers in the assets to understand how well they are trading. Many others buy retail assets with long leases, but we don't think that is the right approach. What is the underlying performance of the retailer? What is the rent-to-turnover ratio? Is the rent affordable and crucially sustainable?

£1.2bn
VALUATION OF NEWRIVER'S PORTFOLIO OF ASSETS, HY 2018
M&A VALUE

PATRICK SPENCER

Spencer is chief operating officer at BMJ, the publishing group owned by the British Medical Association – the trade union and professional body for doctors in the UK. He trained as an ACA with KPMG. After working for food distribution company Booker, he joined De La Rue as divisional finance director for global services. He joined BMJ as finance director in 2004 and in 2013 he became chief operating officer, taking responsibility for the growing Indian and US businesses.

WHAT WAS YOUR FIRST M&A EXPERIENCE?
After qualifying with KMPG I joined the corporate office of Nurdin & Peacock, the UK's second largest cash-and-carry business. The strategy was to move from big warehouse-based selling to offer a delivery service directly to independent retailers. I had a remit to acquire a wholesale delivery business that could add logistics expertise to the buying power we already had. It involved reviewing the market, scrutinising target company accounts, modelling scenarios, determining offer price and deal structures, and then making the initial approaches to possible companies. It was a little daunting, but a terrific experience and a great introduction to the delights of transport cafés up and down the country. A month after we completed the due diligence I found myself on the other side of the table – we had a hostile takeover approach from our largest competitor, Booker. After that deal I stayed on to support the complex integration. The whole thing gave me great insight into how different the reality of acquisitions can be from the theoretical spreadsheet modelling.

WHAT IS YOUR ROLE IN M&A AT THE BMJ AS CHIEF OPERATING OFFICER?
BMJ is a medium-sized company. We have about 500 staff and operate from five locations – two in the UK and three internationally. At this size acquisitions can be a pretty big deal, so I'd describe the business as cautious in its

"M&A IS A FAIRLY KEY PART OF OUR GROWTH STRATEGY. LIKE MANY BUSINESSES OF OUR SIZE OPERATING INTERNATIONALLY, WE KNOW WE CAN'T DEVELOP AND DO EVERYTHING IN-HOUSE"

approach. We have a small corporate strategy team that would make the initial running, but once an opportunity starts looking serious other disciplines would be quickly involved – finance, product and technology. Typically we'd form a project team led by a senior manager. M&A is a fairly key part of our growth strategy. Like many businesses of our size operating internationally in a technologically dynamic market, we know we can't develop and do everything in-house. We can often marry our brand and clinical credibility with someone else's technology or distribution channel to create value.

WHAT ARE THE DRIVERS FOR YOUR M&A STRATEGY?
As a content business the easiest things for us to acquire and absorb are complementary content offerings. Entirely new markets would not appeal. Acquisitions are like loading a boat – if you're going to take on something large put it in the centre. If it needs to be stowed on the side because it is not at the centre of the business, it cannot be too large, or it'll capsize your ship. We learnt this the hard way – buying Informatica in 2011 and selling it back to the original owners for £1 five years later.

HOW ARE POTENTIAL ACQUISITION TARGETS IDENTIFIED?
Acquisitions are typically identified internally. We know our markets pretty well and often see trends developing, which suggest an acquisition might be the right move. We get approaches from the market too, but usually they haven't really taken time to understand our business and are quickly filtered out. We fund from surplus cash and tend to default to our regular lawyers and our external auditors for due diligence. If we were to make a sale we would likely engage specialist M&A advisers, with a view to securing the best price. Buy-side, we tend to identify, negotiate and complete on our own, occasionally calling on very specialist advice in a particular area.

500

NUMBER OF STAFF BMJ EMPLOYS ACROSS FIVE LOCATIONS – TWO IN THE UK, AND THREE INTERNATIONALLY

BMJ

ADAM COUNCELL

Councell is group finance director of Restore, an AIM-listed support services group. Since 2010 Restore has acquired more than 30 companies. Its market capitalisation grew from £8m to £867m by the end of December 2017.

Significant recent transactions included the 2016 acquisition of PHS Data Solutions from PHS for £83m and the 2015 acquisition of Wincanton Records Management from Wincanton for £60m.

Councell joined the business in 2012 as group finance director, having previously worked for Rentokil Initial, Whitbread and WPP.

WHAT IS YOUR ROLE AS CFO IN M&A? AND THE CEO'S ROLE?

Our CEO will be involved in identifying and making initial contact with targets and agreeing heads of terms. This is done in conjunction with a specialist adviser with a deep understanding of our acquisition target market. My role will generally commence after initial contact has been made with the target. It will generally be to sense-check initial valuations of smaller deals, or to get heavily involved in the valuation process in a larger deal.

My role ramps up once heads of terms have been agreed, as I will undertake financial due diligence, sometimes with the assistance of third party support, and take the transaction through the entire process to completion. This will include ensuring adequate funds are in place, putting in place new debt facilities, if necessary, and managing legal advisers as the sale agreement is negotiated. The operating businesses will get involved through the due diligence process and then more fully on completion.

HOW DOES M&A FIT INTO YOUR GROWTH STRATEGY?

M&A is a key part of our ongoing growth strategy and historically has been the primary driver of growth. The current drivers of our M&A strategy are increasing market share in our current operations. We keep an eye out for new markets, which would sit well with our current operations. New territories are not a primary focus for the group. How we finance M&A varies from deal to deal. As a general rule smaller acquisitions are funded on internally generated cash or debt and larger acquisitions are funded on a mixture of debt and new equity.

WHAT WERE THE CHALLENGES IN YOUR RECENT SIGNIFICANT TRANSACTIONS?

The PHS Data Solutions and Wincanton Records Management acquisitions had similar challenges, as they involved the extraction of a non-core subsidiary from a larger organisation. This included the difficulties of understanding how running the businesses on a standalone basis would impact on the financial results. The PHS transaction was a competitive process, which was largely set up to be more attractive to private equity bidders, so there were challenges associated with being a trade bidder in this process. The Wincanton process was an exclusive transaction, but also had challenges in terms of meeting the internal valuation expectations of the vendor. Both deals have been significantly accretive to group earnings, and that their anticipated synergies have been realised in line with our expectations.

HOW DO YOU APPROACH A DEAL TO ENSURE IT GOES THROUGH TO COMPLETION?

We have a high completion rate on deals once initial terms are agreed. We put this down to being upfront and honest with the vendors. We see this as the key element of de-risking deals. Generally we just use legal advisers, although on larger deals we will also use accountants to undertake financial due diligence. There are still plenty of deals out there with appropriate returns for the purchasing company. The key is identifying deals meeting the right criteria in terms of fit and financial return and not wasting time on those that either won't fit or can't generate acceptable returns at the price you will have to pay for them. ●

"THE KEY IS IDENTIFYING DEALS THAT MEET THE RIGHT CRITERIA IN TERMS OF FIT AND FINANCIAL RETURN AND NOT WASTING TIME ON THOSE THAT WON'T"

ON THE *Hunt*

Increasing a public company's share price by making acquisitions should not be taken as a given. **Chris Hunt**, Rentokil Initial's head of M&A, says a clear approach that targets high-growth markets will pay dividends

"When I was at KPMG and AstraZeneca there was a tendency to think of big deals like cage fighting - taking chunks out of each other and winning smart points," says Chris Hunt, who's been head of M&A at Rentokil Initial since April 2012. "With the businesses we acquire, the striped-suit banker approach will not work. The companies tend to be family-run and entrepreneurial and, although the owners are happy to hear how we could improve their businesses, they don't want to sell to someone they think may dispassionately rip the guts out of what they have built. To be successful, we need to approach companies in an open, honest and empathetic way. There will be change, but we really try to make one plus one equal three."

Rentokil is now the preferred acquirer in many pest control markets, explains Hunt, because they "know what a quality pest business looks like and take a lot of time around the people side".

Since focusing on its core pest control business, Rentokil's market cap on the London Stock Exchange has grown to just shy of £6bn. It has been making about 40 acquisitions a year recently, and its successful M&A strategy saw Hunt pick up the corporate development award at the Corporate Finance Faculty's annual reception last October (see *Corporate Financier*,

THE CV

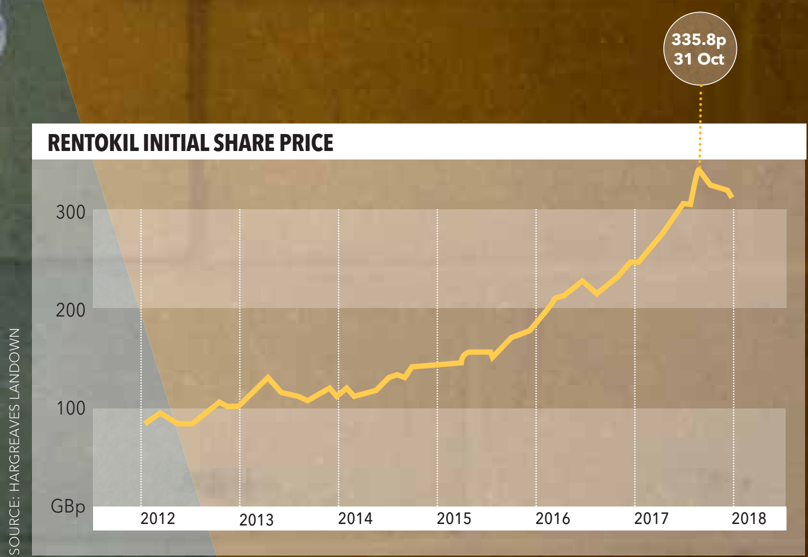
Chris Hunt joined Rentokil Initial as head of M&A in April 2012 from AstraZeneca, where he had spent five years as director of corporate M&A and business development. He had joined the global pharmaceutical company in April 2005 as head of finance in its primary care business.

Prior to moving into industry, Hunt spent 14 years with KPMG. He trained as an ACA after joining the Big Four firm straight from the University of Kent, where he graduated with a degree in accounting with computing. After qualifying as a chartered accountant, he moved into KPMG's transaction services practice in London, where he specialised in large cross-border transactions, particularly in the emerging M&A markets of Russia and China.

THE BIG ONES

- **Dec '12** – **Acquisition of California-headquartered Western Exterminator for $92.6m**
- **Apr '13** – **Disposal of parcel delivery business City Link (acquired as part of Target Express) to Better Capital for £1, after it failed to turn a profit in a tough market**
- **Mar '14** – **Sale of Initial Facilities to Interserve for £250m**
- **Sep '15** – **Acquisition of North American pest control business Steritech for $425m**
- **Dec '16** – **Sale of European workwear and hygiene business to form a joint venture with Haniel for €520m and an 18% stake in the vehicle**
- **2016** – **41 acquisitions with combined annualised revenues of £124m**
- **Feb '17** – **Merger of its Indian pest control business with PCI Pest Control, in exchange for a 57% stake in the market-leading joint venture**
- **H2 2017** – **Acquisitions spend of £100m+ expected**

RENTOKIL INITIAL SHARE PRICE



November 2017). So, just how has M&A helped Rentokil Initial's share price rise from 85p in April 2012 to more than 300p at the turn of 2018? In late 2013 newly appointed chief executive officer Andy Ransom introduced the 'right way' strategy.

"Andy's leadership catalysed our M&A agenda," says Hunt. "We worked hard to build the capability internally to identify, evaluate, execute and integrate acquisitions at pace. We got the ball rolling in markets where we could leverage a well-established operating model as well as the insight and expertise of our own in-country senior leaders. We've all been busy, and have done well over 100 acquisitions since then.

"As part of the new strategy we put more flesh on the bones of what Rentokil Initial would look like, downsizing our exposure to underperforming businesses in difficult sectors and growing our core - route-based businesses, especially pest control and hygiene. A big part of that was investing in our North American pest control business, as we were sub-scale in the largest pest control market in the world."

Indeed, the group completed one significant US acquisition while still finalising the strategy - paying $93m for Western Exterminator in December 2012. "That gave us national coverage of the US. We were present in the east and centre, but not the west. Being a national supplier in the US is a big thing."

In emerging markets and in entering new markets the approach has been one of careful risk taking. Hunt says: "We actively look for such markets, typically with high urbanisation and a demand for high-quality pest control. We speak with the major players in that market. You quickly get a feel for the similarities and differences operating in new places and whether conditions mean we can make a go of it. We accept there is likely to be extra risk operating businesses in such territories, so we will look to manage that appropriately." Rentokil Initial has grown its footprint in Central and Latin America, India and the Middle East.

GOOD GOVERNANCE

Given the volume of city-focused smaller transactions Rentokil Initial completes, Hunt wanted to establish an M&A process with appropriate governance. "We wanted to carry out more regular M&A and so we needed a process fit for purpose and streamlined. We needed everyone to understand the part they played in M&A - we empowered local managers to identify opportunities and take ownership of deals from the start. They work with members of my corporate development team to build the case and see the deal through to completion and integration."

Rentokil's brand continues to open doors, according to Hunt. And local staff can look at bolt-on opportunities through the Rentokil operational lens. They will certainly not change every area of operations in an acquired business, but identify critical areas for change, looking for the 'best of breed' between the target and the acquirer.

"I run a fine line between dispassionately challenging acquisition ideas and being deal champion," says Hunt. "When I joined, there was a pent-up wave of acquisitions. We did 14 in my first year, and the early-stage work had been done on many others. We either completed, or we went back, scratched our heads and wondered 'do we really want to make that acquisition?'."

"We actively look for markets with high urbanisation and a demand for high-quality pest control. We accept there is likely extra risk operating businesses in such territories"

STABLE, THEN STRONG

When Hunt joined in 2012, Rentokil Initial had its fingers in several pies. As part of the strategy, businesses were analysed for growth and profitability potential - providing focus and transparency. The first priorities were to reshape the Group's portfolio, which involved the sale of City Link to Better Capital in 2013 for the nominal price of £1 and the sale of Initial Facilities Services to Interserve in 2014. "Other parcel delivery businesses had a better customer proposition and market pricing was weak. City Link had been making losses for a number of years, so we decided to sell it to an experienced private equity house.

"Many investors viewed our facilities management business as a potential disposal - we felt more comfortable managing route-based pest businesses as compared with lower margin, mostly site based, cleaning businesses. We thought maybe someone else more attuned to running such businesses would see more value in it."

Selling City Link and Initial Facilities freed up a lot of management bandwidth. In 2015 Rentokil Initial really gained traction in North America with the acquisition of Steritech (see box 'Across the pond'). Perhaps the final part in the 'focus' jigsaw was completion of the joint venture between CWS-boco and Initial's European workwear and hygiene businesses in June last year.

"It took a lot of capital off our balance sheet and our shareholders now own a business where circa 90% of our post-tax profits are free cash. This is mostly either re-invested in the business or invested in M&A, with the rest used to pay down debt or paid out to shareholders," says Hunt. This growth compounding model means the company expects to grow revenues 5-8% and operating profits of about 10% annually. ●

$425m

Amount Rentokil Initial acquired North American pest control business Steritech for in 2015

€1.1bn

Combined revenues from the Rentokil Initial-Haniel joint venture in the 12 months to 30 June 2016

€520m

Amount Rentokil received from the above joint venture when it was cleared in June 2017

ACROSS THE POND

In September 2015, Rentokil Initial acquired North American pest control business Steritech for $425m, which created the third largest pest control business in the US and in Canada. "It was an auction process, which is increasingly common in the US on $20m-plus deals. We were bidding against the usual suspects from the US, and EU competitors keen to get a platform. Private equity bidders fell away as they did not have the synergies of trade acquirers."

Hunt ran the acquisition, working closely with his North American head of corporate development and the North America leadership team. AT Kearney worked on the potential synergies, PwC carried out the financial due diligence and Greenberg Traurig supported the legal due diligence and contract negotiations.

Rentokil Initial has acquired 65 North American businesses since 2012, including, in November 2017, Arkansas-headquartered mosquito control business Vector Disease Acquisition LLC.

DEAL OF THE YEAR 2017

In December 2016, Rentokil Initial announced plans to put its European workwear and hygiene businesses into a joint venture (JV) with Haniel, the owner of CWS-boco, a leading provider of workwear and hygiene services in Europe. The JV combined businesses in 10 countries, principally in the Benelux and Central Europe regions.

In the 12 months to 30 June 2016, the JV would have had combined revenues of approximately €1.1bn. In June last year, it was cleared under the European Commission's merger regulations. 2,500 staff in the Rentokil Initial businesses transferred into CWS-boco. The transaction multiple was 15.2x adjusted profit before interest and taxation. Rentokil received €520m, an 18% stake in the JV and €19m of annual dividends guaranteed for five years.

Rentokil will "maintain the stake in the JV for a minimum of three years". There are various exit options in the JV contract.

Hunt says the group will assess its options regularly, but there's no need to sell quickly. "The deal has put more cash on Rentokil Initial's balance sheet, which I'm keen to use and grow our core businesses in target markets."

Rentokil Initial's chief executive Andy Ransom said at the time of the deal that it aligned with the company capital allocation model, and represented a step change, "with 90% of ongoing operating profit now coming from pest control and hygiene services". It was named 'Deal of the Year' 2017 in the Broadwalk Services Awards.

Brief encounter

In our new regular feature, we profile the headline deals behind significant businesses. First is Ineos, one of the world's largest chemical companies. Founded in 1996 by former engineer and ex-investment banker Jim Ratcliffe, it has generated worldwide revenues of €11.5bn and underlying earnings of €2.0bn

EMPIRE BUILDER

Jim Ratcliffe, the founder of Ineos Plc, has had an interesting life. Born in Lancashire, brought up in Yorkshire and now living in Switzerland, the chemical engineering graduate brought his oil industry experience to the City, when he joined US private equity giant Advent International in 1989. He still owns a majority stake in the privately held company, which has grown to 20 business units with worldwide revenues of €11.5bn in 2017, a little over two decades since Ratcliffe's acquisition of a chemicals plant in Antwerp from BP in an undisclosed leveraged carve out.

Today, Ratcliffe is the second richest person in Britain, with a net worth of $9.8bn, according to Bloomberg. Ineos employs 18,500 people across 22 countries. Ratcliffe says that Ineos has had a hand in almost anything you use in the UK – from toothpaste caps to refining the petrol on UK forecourts.

TROPHY ASSET

In November 2017 Ratcliffe made another improbable acquisition – although it will give him something to do on Saturdays near his Swiss home. He set up Ineos Football to acquire FC Lausanne-Sport. Given it is less glamorous than other billionaire-owned football clubs such as Chelsea, Paris St-Germain and even Manchester City, the team that sat fifth in the improbably-named Swiss Super League, as they entered their winter break, will hope that the man proves to be a fan for all seasons.

"Today the club is in the middle of the Swiss Super League – there's no reason it cannot end up in the top four," said David Thompson, the (ambitious?) chief executive of the newly created football arm of Ineos, and a newly created business within the group.

"Our target is in four years' time to have a team that can qualify for European football."

DING DONG - RATCLIFFE CALLING

Earlier in 2016 Ineos made a core deal, with the acquisition of Dong Energy's upstream business for $1bn. Dong plans to invest €2bn broadening its European petrochemicals capacity. As Dong Energy announced it was changing its name to Orsted, it put its focus completely on renewable energy, so Ratcliffe was going back to the future.

OLD SKOOL

In September 2016 Ratcliffe said he planned to invest up to £600m to produce a new version of the classic Land Rover Defender, which had been discontinued earlier that year because it couldn't meet modern emissions standards. He told the *Sunday Times* last year it was "Not a nostalgia project", but that he wanted to boost UK manufacturing.

EASY RIDER

A sexagenarian having a mid-life crisis is not unheard of, but buying a company which makes waxed cotton biker jackets favoured in the 1960s by film star Steve McQueen, and more recently ex-footballer David Beckham, is something of a diversion. In October 2016 Ineos acquired Belstaff, the British fashion house founded in 1924 in Stoke-on-Trent, from JAB, the private investment vehicle of Germany's billionaire Reimann family that had acquired it in 2011.

Ratcliffe does have an adventurous spirit: he has trekked the Arctic and rides motorcycles across Africa in his downtime.

ALAMY

BUILDING AN EXIT CASE

Brian Bollen assesses Rutland Partners' £69m sale of Brandon Hire in the wake of a complex carve-out, seven years of reshaping and restructuring, a successful auction process... and the CMA entering the fray

In November 2017 Rutland Partners successfully sold Brandon Hire – the tool and equipment hire business it had acquired in 2010 – to Vp for a 2.6x internal rate of return (IRR). But the best laid plans should not be relied upon. Less than a month later, the UK's Competition and Markets Authority (CMA) decided to investigate the acquisition. The announcement baffled many observers, who expect the £69m deal to be approved early this year.

On the subject of the CMA, as *Corporate Financier* went to press the authority's decision had not yet been announced. The transacting parties have remained understandably quiet. In a sector described as huge by those who know it well, the monetary value does not seem to amount to that much in a monopoly context, and competition issues are small to the point of invisibility.

Despite the regulatory spanner in the works by the CMA, both parties were delighted with the deal. "Brandon Hire is a long-established, well-managed profitable business, which is an extremely positive addition," Vp chief executive Neil Stothard said in his company's stock exchange announcement. "Brandon Hire is an excellent geographic fit with our current specialist tool hire operations, and we expect this acquisition to be earnings-enhancing to the group in the first 12 months of ownership." Vp chairman Jeremy Pilkington added: "The Vp and Brandon Hire business cultures are closely aligned and we look forward to working with all of the Brandon Hire employees in developing the business further."

"Brandon Hire has become one of the most consistent performers in its sector and within our portfolio"
David Wardrop, partner, Rutland Partners

£69m

The value of Brandon Hire's potential sale to Vp

Vp said in a formal brief statement, in reaction to the CMA's news, that prior to completion of the acquisition it conducted a detailed due diligence exercise, including assessing potential competition considerations. Vp says it will fully assist the CMA with its inquiry and that it will provide further updates to the market as and when it deems appropriate.

THE INVESTMENT

Nick Morrill led the original investment by Rutland Partners. David Wardrop was part of the Rutland team, and has represented the firm on the company's board throughout its ownership.

Brandon Hire was acquired from Wolseley Plc (now Ferguson Plc) in August 2010. A complex carve-out, the deal took about 18 months to complete. A key element in the creation of the new stand-alone business was the restructuring of 40 sites that were shared with Wolseley. It also involved the opening of brand new branches in better geographical locations that were larger, simpler and more efficient than some of the traditional sites.

"Brandon Hire had been built organically and by acquisition, and a number of depots were sub-optimal," says Wardrop. "We exited those depots and reopened at new sites. Underlying earnings grew by around 50% under our ownership. It was a complex carve-out from its previous owners at a difficult time for the UK economy. The business has become one of the most consistent performers in its sector and within our investment

HERE'S THE DEAL

The sale of Brandon Hire to Vp was announced by Rutland Partners in November 2017, with the deal being valued at £69m. Rutland had acquired the business in a complex carve-out transaction from Wolseley Plc seven years prior. That deal was worth £43m.

The disposal from Rutland Fund II realised a return of 2.6x its original investment of around £32m, representing an IRR of around 22%. The EBITDA multiple is between 6.0x and 6.5x.

PwC acted as corporate finance adviser to Rutland and also carried out vendor due diligence. Taylor Wessing was Rutland's legal adviser. Mishcon de Reya acted as legal adviser to the management team. Squire Patton Boggs were Vp's lawyers.

Vp declined an invitation to interview on the grounds of the investigation. The CMA did not respond to our invitation to discuss its involvement. Rutland's position as vendor is unaffected by the CMA's investigation.

£43m

Value of Wolseley's sale of Brandon Hire to Rutland Partners

portfolio, irrespective of market conditions."

The management team was led by Tim Smith, who became CEO following the acquisition and then led the reshaping and repositioning of the business. Susan Cummings joined as finance director and Phil Leahy as commercial director. Smith has now retired from his role following the completion of Rutland Partners' sale of the business to Vp.

The successful strategy led by Smith facilitated the continued growth of the business; costs were reduced and consequently EBITDA improved. Rutland Partners supported the acquisition of Phoenix Surveying Equipment in 2012. This broadened Brandon Hire's offering in the specialist surveying market.

THE EXIT

David Wardrop described the sale as a traditional auction process involving a mix of potential trade buyers from the UK and overseas and private equity firms.

Neil Sutton, a senior PwC partner, said he received the mandate as sell-side corporate finance adviser because of the firm's long-standing relationship with Rutland Partners and with Brandon Hire's management team. There was a strategic review three years ago to consider the timing of a possible sale, and last year full planning for the exit began. After two rounds of the auction process, Rutland Partners chose Vp for the price offered and, crucially in today's market, deliverability - Vp is relatively lowly geared and facilities were available from its bankers.

"The business can take a long-term perspective for the first time in nearly a decade"
Tim Smith,
former CEO, Brandon Hire

"For other potential buyers, it would have involved more of a new market entry strategy"
Neil Sutton,
partner, PwC

"Everything went really well in a sector where there has been a tradition of trade rather than private equity buying," explains Sutton. "For Vp, it is a logical extension of geography and it can apply its industry and operational discipline to an expanded footprint. For other potential buyers it would have involved more of a new market entry strategy."

When it comes to the price, Scott MacDonald, a director at business valuation service Pomanda, says it looks fair "when you look at Brandon Hire as a stand-alone business". And of the future upside for Vp? "With synergies and scaling benefits, Vp will be expecting to significantly improve Brandon Hire's relatively weak margins and nudge them into line with their own levels. A more simple and immediate benefit will be through reducing the cost of finance by lowering Brandon Hire's cost of debt toward that of Vp."

Smith sees a bright future for Brandon Hire (once it gets past the CMA): "I think Vp is the ideal purchaser. Rutland Partners were fantastic investors, but under private equity ownership you are always looking to the exit. With a trade buyer, the business can take a long-term perspective for the first time in nearly a decade. "Now Brandon Hire is owned by a specialist hire company, it should get additional investment and even more support that will help it capitalise upon the momentum built under Rutland Partners' ownership, and continue to develop and grow still further." ●

DANGERS PRESENT

Hacks, breaches and data destruction sound scary. Because they are. Cybercrime is a real threat for all organisations. **Phill Everson** of Deloitte explains why you need strategies to manage evolving cyber risks. Failing to do so could cost hundreds of millions of dollars

How much does it cost to protect your business from cyber crime? Not as much as it costs to suffer a poorly managed attack. Yahoo's shareholders took a \$350m hit on the sale to Verizon, though the final cost, to be shared by both parties, will be higher (see box opposite, *Yahoo's costly breach*).

As the Yahoo case highlights, cyber risk is an increasingly real issue for companies and investors. Five years ago, if you thought of your business as a castle, it was entirely feasible, possible and sensible to build walls high enough to stop the bad guys from getting in. That is no longer possible. If Grade A 'threat actors' go after you, they will almost certainly breach those walls, however high you build them. The question becomes: "How quickly can you recognise that you've been breached, and how well rehearsed are you at what you do on discovering a breach to minimise and contain the damage?"

THE ENEMIES AT THE GATES

There are many different groups of threat actors. At the lowest level are 'script kiddies' – people who follow a set of rules, a recipe, or a script that they obtained from the internet for fun or vandalism. Above that are 'hacker collectives' – they can be very amorphous groups using similar, though slightly more sophisticated, techniques and they usually have a cause. 'Anonymous' is a good example.

State-sponsored activities notwithstanding, sitting at the top of the food chain are organised criminal gangs. Often, hacking is combined with other criminal activities, including money laundering, people trafficking and narcotics. These are billion-dollar criminal enterprises that, in certain parts of the world, compete to hire the top graduates out of university. Cyber crime

These are billion-dollar criminal enterprises that, in certain parts of the world, compete to hire the top graduates out of university

is appealing because it has a high return for relatively low risk. Most attacks are scattergun. They are essentially random and untargeted, perhaps with someone attacking every company or individual whose name, surname, or business name begins with 'S'. Phishing, where attackers try to get hold of sensitive information or distribute malware (viruses) by sending bulk emails, is the weapon of choice. While such attacks can be challenging to deal with, effective systems and procedures can be put in place to reduce risk.

Far more worrying is when someone goes after a particular piece of information or tries to have a specific effect on a particular company. Here, the attackers will do extensive research on the organisation and individuals in order to construct phishing emails that are person-specific and are very difficult to detect.

RISKY BUSINESS

In an M&A situation, an attacker would most likely be trying to move the share price of a quoted company in order to affect the terms and price of a deal. The nature of some transactions teams and the widespread use of outside specialists create weak points in the walls, whether it is lawyers, consultants, professional advisers, or even accountants. Anyone who is not storing information in a secure way and treating the risk properly to minimise it poses a danger. The shift to virtual data rooms has reduced costs and increased accessibility for remote parties, but in some cases it has increased the chance of data leaking.

A loss or breach of information can also lead to asymmetric knowledge, which, in a deal situation, can create a disadvantage for the breached party. It is an issue across all transaction types and all sectors.

So, how can you protect yourself? To begin with, you have to understand that there is an issue. You need to set expectations of behaviour and train those involved. Also, you need to make sure that you have done appropriate security testing on any virtual data room in the same way you would a physical data room. Certification schemes, such as the UK government's Cyber Essentials, are a step in the right direction, but a certificate does not guarantee security.

YAHOO'S COSTLY BREACH

In February 2017, Verizon knocked $350m off the price it was going to pay for Yahoo, settling on a $4.48bn acquisition sum. It was reported that Yahoo, which still owns a stake in China's Alibaba, agreed to pay 50% of cash liabilities related to government and third-party lawsuits. Verizon agreed to accept the breaches from "business material adverse effects" and that it would not use the breaches to further lower its bid. The deal completed in June 2017.

The price reduction followed revelations in September and December 2016 that one billion Yahoo account details had been stolen in 2013. In August 2017, a New York court ruled that Yahoo must face a class action lawsuit from victims of the data breaches, while in October, Verizon's integration process revealed that all three billion Yahoo accounts had been hacked.

Yahoo said an allegedly separate attack in 2014 was "state sponsored", leading to the US Department of Justice charging Russian officials. In Autumn 2017, there were reports claiming the personal data of Yahoo users were being sold on the dark web. However, this was disputed by security experts InfoArmor, who said it was a 'closed' targeted attack.

$350m

How much less Verizon paid than originally planned for Yahoo.

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; legal issues; and reducing deal execution risks.

WAR GAMES

From May 2018, businesses in the UK will be required by law to disclose any breaches involving personal data to the relevant supervisory authority (in the UK, the Information Commissioner's Office) within 72 hours. This requires a well-rehearsed plan. You need to work out what has happened. If information has been lost, you will need a different response to when data has been destroyed or is being held for ransom. Ransom demands have become more common over the past 18 months.

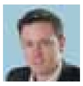
Cyber security has received greater attention than five years ago – and quite rightly so. The vast majority of corporate boards now have cyber as a principal business risk to the corporation. Despite this attention being given, I would question whether they have actually done everything that they need to do in order to manage the risk or implement sufficiently robust contingency plans.

As a rule of thumb, cyber security budgets should be about a tenth of total IT spend. It is, of course, easier to get approval when a breach has happened, but that's closing the door when the horse has bolted (though it still has to be done). We're seeing more work being done on cyber war-gaming, training for boards, and on red, blue and purple team testing (effectively a way of categorising fully comprehensive testing whereby internal and external defences are tested in isolation and as a hybrid) to identify possible weaknesses.

Cyber risk is real. Corporations spent a lot on Y2K, and there remains debate over whether the investment mitigated the risk so it did not become an issue. The cyber risks of today are a significant challenge faced by many companies and public organisations. It's inevitable that your organisation will be attacked, so be prepared. ●

Phill Everson is a Deloitte partner and leads the firm's 300-strong UK cyber risk services practice. Deloitte has 7,000 specialists globally.

APPOINTMENTS

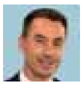


Alan Barr has been promoted to head of deals at **PwC**'s Aberdeen oil and gas centre of excellence. With 20 years in M&A, he has led the transaction services team in Aberdeen for the past 10 years. He has completed more than 90 deals in the sector, and has private equity investment expertise.

Edward Hooper has joined **MHA MacIntyre Hudson** from RSM, as corporate finance director to lead transaction services. He previously spent eight years at BDO, four of which were in Dubai. He is also qualfied as an ACA.


FRP Advisory has recruited Adrian Alexander (1) as partner in its Brighton corporate finance team from Mazars, where he spent 24 years as corporate finance partner and helped set up Mazars' corporate finance offering. He previously worked for Grant Thornton and Honey Barrett. FRP is expanding its national corporate finance team and now has resources in Brighton, Bristol, London, Birmingham and Manchester.

In the Midlands, insolvency practitioner Arvindar Singh-Sall (2) has been promoted to partner.



John Kent has joined **Deloitte** from HSBC as partner in the firm's UK banking and capital markets team. He will co-lead its IFRS advisory practice.

Stonehage Fleming has recruited Anastasia Shvetsova to its corporate finance team from JP Morgan as senior associate. She previously worked for Citi Group.

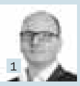

Peel Hunt has made three new hires to its corporate team – Michael Nicholson (1) as an associate director from KPMG's corporate finance and deal advisory team; James Bavister (2) as associate (in the natural resources team) from WH Ireland; and ACA-qualified Nicole MacDougall as analyst from RSM Corporate Finance where she was associate. Nicholson recently completed a two-year secondment to the Takeover Panel.

David Staziker has been promoted to finance director at the **Development Bank of Wales** (formerly Finance Wales), succeeding Kevin O'Leary after his 12-year term. Staziker joined in 2002 as an investment executive in the mezzanine team from Gambit Corporate Finance. He previously worked for PwC.

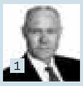
Newcastle-based corporate finance firm **Tier One Capital** has recruited Jess Swindells as managing director from law firm Muckle, where she was a banking and restructuring team partner. Silverfleet Capital's Brendan O'Grady has joined as corporate finance director.

LEGAL BRIEFS

Taylor Wessing private equity partner Dominic FitzPatrick has been appointed the law firm's UK senior partner, succeeding Adam Marks, who was in the role for three years.

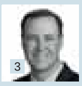



Irwin Mitchell has recruited Adam Kaucher (1) and Victoria Zivkovic (2) as corporate partners in Manchester. Kaucher joins from Addleshaw Goddard, Manchester, having previously been regional head of legal for KPMG in central Asia. Zivkovic joins from PwC Legal in Manchester, where she was head of corporate. She previously worked in M&A at Pinsent Masons and Cobbetts.

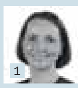


Cushman & Wakefield has promoted Toby Ogden to head of London markets. He joined in 2006, and was made partner in 2016. Andrew Hawkins (1) will be joining the firm in the summer as partner and senior leader in the London capital markets team from JLL.





Gibson, Dunn & Crutcher has promoted 16 to partner globally, including London-based Amy Kennedy (1), who works in global finance; Dubai-based Fraser Dawson (2) in private equity and M&A; and Dallas-based Jonathan Whalen (3) in corporate and M&A.



Dentons has strengthened its energy and infrastructure practice in Dubai by appointing to partner Mhairi Main Garcia (1) from Ashurst. She specialises in project development, M&A and capital markets. University of Alberta law professor Tom Gusa (2) has been appointed partner in the firm's Edmonton restructuring, insolvency and bankruptcy group. And in Rome, Giovanni Diotallevi (3), Andrea De Luca Picione and Stefania Verroca have joined the firm's banking practice from Italian law firm Chiomenti.

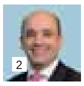
Sidley Austin in London has recruited private equity lawyers Wim De Vlieger and Till Lefranc from Simpson Thacher and Bartlett.

Linklaters has recruited Amy Edgy to its restructuring and insolvency practice in Washington as partner from Jones Day.

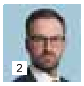


Piers Linney (1) and Amanda Rendle (2) have been appointed non-executive directors at the **British Business Bank**. Linney, who was an investor in Soulmatefood and sits on the boards of Nesta and the Aleto (formerly Powerlist), appeared on the *Dragon's Den* TV programme. Rendle is a director of Jaren Consulting, and was a NED on the Government Communications Services Ministerial Board, The Royal Mint, Tesco Bank and Keep Britain Tidy.

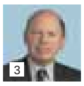
British Business Bank chairman Lord Smith said: "These appointments will be very important as the bank grows and we extend our operations, especially in the areas of patient capital and in the provision of information for scale-up companies."



Shawbrook Bank has opened its first regional business centre in Bristol, led by regional managing director Terry Wolfendale (1). Its second opened in Wetherby, led by Jonathan Rostron (2). It plans to open seven nationwide. Tim Hawkins has joined Arbuthnot Latham from Shawbrook Bank, as the managing director of a new division of the merchant bank – **Arbuthnot Commercial Asset Based Lending**.

Andrew Mason has joined **Price Bailey** as director of the firm's corporate team in Cambridge from BDO. Also coming from BDO is Stuart Morton, who has been promoted to senior manager in the Norwich insolvency and recovery team.



Begbies Traynor has promoted Mark Malone (1) and Gareth Prince (2) to partner in the Midlands. Both are insolvency practitioners. The firm has opened a new office in Lincoln.




KPMG has appointed Blair Nimmo (1) global head of insolvency, succeeding Richard Heis who retired earlier last year. Nimmo joined KPMG in 1991 from Cooper and Lybrand (now PwC). Matthew Martindale (2) has been promoted to partner and David Ferbrache (3) to chief technology officer in the firm's cyber-security practice. Prior to working for KPMG, Ferbrache was head of cyber and space at the Ministry of Defence.

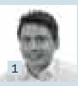

Frank Holmes, Gambit Corporate Finance's founder-partner, has been appointed the first chairman of the **Regional Economic Growth Partnership** (REGP) in Cardiff.

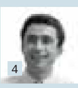

Andy Preece has joined Leeds-based **Armstrong Watson Accountants**' corporate finance team as director from Nucleus Commercial Finance. He previously worked for Hitachi Capital Invoice Finance and Metro Bank.

Clearwater has recruited David Grassby and Hertej Rattan as associate directors in its debt advisory teams in Manchester and Birmingham and from Deloitte and Lloyds respectively.

HMT has joined the International Corporate Finance Group (ICFG), a global corporate finance network of independent firms.

PE SHORTS





ECI Partners has made three new hires. Daniel Bailey (1) has joined from the Business Growth Fund's London and South East team. Prior to that he worked in the M&A team at Canaccord Genuity and the special situations corporate finance team at Deloitte. Isa Maidan has joined from KPMG's corporate finance team, and Laura Morrill (2) from PwC's corporate finance team. The private equity firm has also made two promotions: Fiona McMahon (3) to investment director, and Rory Nath (4) to investment manager. McMahon joined the firm four years ago from PwC, Nath in 2015 from OC&C.

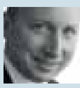

Philip Weston has joined **LDC** in London as investment director from being partner at Kelso Place Asset Management. He has more than 15 years' private equity experience in both transaction execution and portfolio management.

Matt O'Connell, former CEO at GeoEye, has joined **Seraphim Capital** as partner. During his 12 years at GeoEye, its enterprise value rose from $30m to $1.3bn. He is currently a board member of Spaceflight Industries.


London-based secondaries adviser and placement agent, **Cebile Capital**, has opened an office in New York and recruited Steven Westerback as head of the Americas from UBS Investment Bank.



Maven Capital Partners has recruited investment directors Steve Lewis (1) and Jonathan Lowe (2) to lead the £90m Maven-MEIF Debt Fund team in the Midlands.


Mark McDonald has joined **Deutsche Asset Management** as global head of private equity secondaries from Credit Suisse.

Palatine Private Equity has recruited Gareth Wilson as portfolio operations director in the UK from McKinsey & Co.

Tom Haywood, formerly of EcoMachines Ventures, has joined **Foresight Group** as investment manager in its private equity team.

THE CV

Dewi Hughes is head of LDC's Cardiff office, which opened in May 2016. He joined the firm from Deloitte where he led the corporate finance advisory business in Wales. He previously spent 13 years at EY, where he trained as an ACA. He studied economics at the University of Bristol and also holds the ICAEW's Diploma in Corporate Finance.

Recent deals

- LDC-backed MBO of ADEY, a European water treatment products manufacturer.
- Advised management on the £145m sale of Nuaire to Polypipe Plc (while at Deloitte).
- Advised management on the $164m acquisition of the BBI Diagnostics Group from Alere Inc (while at Deloitte).

A WELSH VISTA

Having set up LDC's Cardiff office in 2016, **Dewi Hughes** talks about the first deal completed by its team based in the Welsh capital

WHAT WAS THE DEAL?

A £14m investment in the tertiary buy-out of Cardiff-headquartered IT services company Vista Retail Support. We completed the deal in October 2017, which was the first deal we'd led from our Cardiff office. The transaction marked an exit for WestBridge Capital and Octopus Investments.

HOW WERE YOU INTRODUCED TO THE DEAL?

Vista specialises in providing IT services to the retail, hospitality and leisure sectors. It is a well-known and high-profile business, which is right on patch in South Wales. We spent time getting to know the business and its management team and understanding their longer-term aspirations. Ultimately we wanted to back their vision for the business.

I led the deal with resource support locally and from LDC's Bristol office. PwC led a competitive auction process, with interest from both private equity and trade buyers. Wales is a distinct market with its own dynamics and corporate finance community, so our presence on the ground was significant in winning the deal.

HOW EXPERIENCED WAS THE MANAGEMENT TEAM?

They are a proven team. Managing director Richard Cottrell and technical services director James Pepper had been through two private equity ownerships. Commercial director Lucy Humphreys and finance director Emily Pullham had been through one as well. They therefore knew what was expected of them and where they wanted to take the business next.

Mark Molyneux, a very experienced portfolio company chairman, joined the board. Kath Roach, who has expertise in retail technology, joined as non-executive director. In Kath, we have someone who understands the market dynamics and will provide a sector perspective on Vista's strategy and service offering.

WHO WERE THE ADVISERS?

Deloitte were advisers to Newco, our legal advisers were Blake Morgan, and top-up commercial due diligence, financial and operational due diligence was provided by Hullbrook, Deloitte and Alvarez & Marsal respectively. PwC ran the sales process, with Capital Law as vendor legal advisers. Deloitte and Hugh James were advisers to management, KPMG provided financial vendor due diligence and CIL carried out the vendor's commercial due diligence.

WHAT WAS THE DEAL'S STRUCTURE?

The structure of the deal was not disclosed. We took a significant stake, while management increased theirs and HSBC provided debt. The deal valued Vista at almost £30m.

WHAT WERE THE KEY CHALLENGES?

The retail technology sector is complex and it was important from the outset that we had a deep understanding of it and the future outlook. We believe that spending time with the business and its management team to understand these dynamics and how Vista operates within the market enabled us to further differentiate ourselves in a competitive process.

AND KEY LESSONS?

The local market reaction to us setting up our Welsh office was positive. But it was strategically important for us to complete our first on-the-ground Welsh deal with significant involvement from Welsh advisers. ●

PHOTOGRAPHY: GARETH PHILLIPS