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FINANCE
FACULTY

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ISSUE 203
JUNE 2018

GROWTH
OPPORTUNITIES
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Corporate Financier

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Hostile bids are back in the headlines after Melrose's £8bn takeover of GKN


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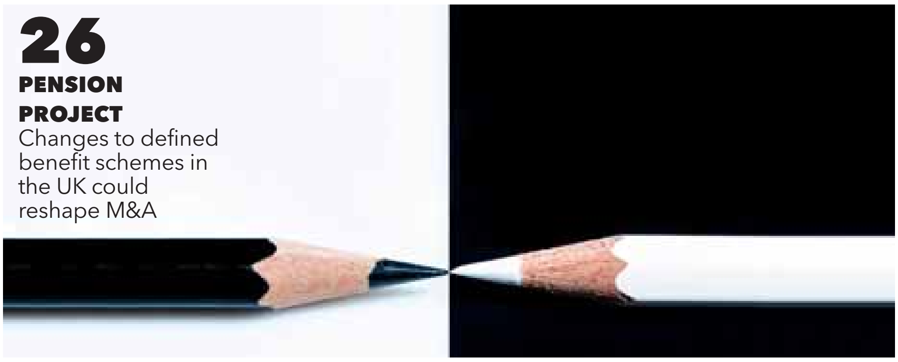

COVER: MARCELLO CRESCENZI

Global M&A in first four months of 2018 according to Deloitte

Back to the future

Henry Ford started production of the Model T 110 years ago. His use of the internal combustion engine spelt the end for electric-powered cars. Yes, you read that correctly: at the turn of the 20th century, the vehicles on the streets of New York numbered roughly one third each steam-powered, one third petrol-driven, and one third electric (admittedly, there were only 4,000 in total at the time). Of course, gasoline went on to take over the world.

In this month's issue of *Corporate Financier* (pages 10-12), we look at CD&R-backed Motor Fuel Group's £1.2bn acquisition of MRH to create the UK's largest forecourt operator. If you want to see a sector in flux, you'd be hard pressed to find one that's more so. Technology and environmental pressures, changes in consumer preferences, food retailing, and underlying real estate values are all at play.

There are many different models in the garage forecourt market – privately owned and operated, private franchises, fuel company owned-operated and franchisees too – as well as independents.

Electric vehicles are certainly going to dominate in the future. Manufacturers have said they will ditch new petrol and diesel cars, China is leading the drive to combat air pollution and strategically move from a need to import oil, and European cities are also regulating to move us from 'gas' to 'volts'.

MFG, like many others, is busy striking deals for charging points on its forecourts. But there is one big issue. Charging a car takes far longer than pumping 50 litres of 'black gold' into your vehicle. The biggest delay at a garage at the moment may be people doing their weekly shop in the retail concession. With electricity, plugged-in vehicles will cause the jam.

Competition for charging will quite possibly come from supermarket car parks, which allow longer stays – and of course they are the place where most weekly shopping is done.

The race to advance battery technology is on. Carmakers, tech developers and traditional fuel companies are all taking part. Last month, BP invested $20m in StoreDot, an Israeli venture that's developing ultra-fast-charging lithium batteries.

So there may be life in the old forecourt yet.

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NEWS & EVENTS

FUNDING THE FOURTH INDUSTRIAL REVOLUTION

The Corporate Finance Faculty has organised a major innovation investment conference, 'Boosting Finance for the UK's Industrial Strategy', which will be hosted by ICAEW in London on the morning of 4 July. ICAEW and the Corporate Finance Faculty have invited senior policymakers, government agencies, entrepreneurs, venture capitalists and advisers to this half-day conference.

It will be the first event of its kind since the UK government published its Industrial Strategy white paper in November 2017.

The conference will also discuss the latest innovation and research and development commercialisation challenges for Britain in the context of the Fourth Industrial Revolution and ever-increasing international competition, as well as the role of M&A and private equity in funding innovative businesses.

Headline speakers include Lord Clement-Jones CBE (top), chair of the House of Lords select committee on artificial intelligence and member of the board of the Corporate Finance Faculty, Dr Anne Dobrée (left), head of seed funds, University of Cambridge Enterprise, Calum Paterson, managing partner of Scottish Equity Partners and chair of the BVCA, and Tim Sawyer, CIO at Innovate UK.

The conference will include a panel of scale-up companies that have successfully raised finance to back their high growth, and Michael Wignall, national technology officer at Microsoft.

Michael Izza, ICAEW's chief executive, will make the opening address. David Petrie, head of corporate finance, will moderate the conference.

The event will also build on work by the Institute and the faculty on industrial strategy, which has been led by Petrie; capital markets policy, led by Katerina Joannou; and scale-up investment, led by Shaun Beaney.

To find out more about the conference, contact Grace Gayle at grace.gayle@icaew.com or on +44 (0)20 7920 8656, or visit icaew.com/cff or icaew.com/industrialstrategy

ICAEW PROVIDES INVESTMENT KNOW-HOW TO RSA REPORT

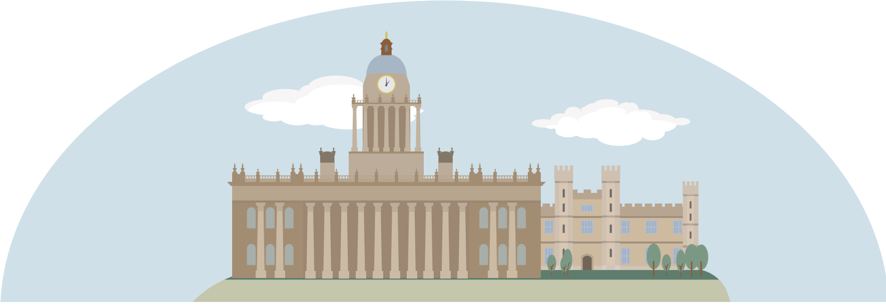
The Royal Society for the Arts (RSA) has published a detailed report on the role of design in UK industry – *Unlocking the Creative Potential of the 21st Century*, co-authored by Sevra Davis (top), director of design, and Josie Warden (left), researcher at the RSA. ICAEW was a contributing organisation.

Innovate UK, part of the government-funded UK Research & Innovation body, commissioned the paper. The report's recommendations are:

- embed design support into industry institutions and networks;
- ensure design support is accessible at a local level;
- share relevant research and insights between different sectors;
- apply design to solving industrial strategy 'grand challenges';
- ensure design is discussed in a more open and accessible way;
- reduce the perceived risk of investing in design; and
- invest in broad design education to bring together design and business.

The RSA and Innovate UK invited Shaun Beaney from ICAEW's Corporate Finance Faculty to speak about innovation investment as part of a roundtable discussion on the report. Held at the RSA's HQ in London in February, leading designers and technologists took part. Beaney provided insight, having carried out extensive research, writing and speaking on behalf of ICAEW about innovation investment, high-growth companies and the creative industries.

For more information visit thersa.org.uk



PETRIE ADDRESSES UK FINANCE CONFERENCE IN LEEDS

Faculty head David Petrie spoke at the conference of UK Finance's asset-based lending arm in Leeds on 2 May. *BBC Breakfast* presenter Naga Munchetty (top) moderated the event, which took place at the Queens Hotel.

Petrie explored the implications for accountants and business advisers of the forthcoming GDPR regulation.

UK Finance was formed in July 2017 by a merger of the Asset Based Finance Association, the British Bankers' Association, the Council of Mortgage Lenders, Financial Fraud Action UK, Payments UK and the UK Cards Association.

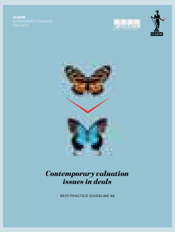
RESPONSE EIS CONSULTATION POINTS OUT CAPITAL GAP

Katerina Joannou, ICAEW capital markets manager, prepared the Institute's response to the government's Enterprise Investment Scheme knowledge-intensive fund consultation, with input from the Tax Faculty. The response noted there is a "genuine capital gap" for companies in the life sciences (in particular biotech) and advanced engineering sectors, "principally due to the long timeframes involved in producing results".

The response also pointed out that younger companies are often "less prepared for attracting funding and often lack basic planning systems and a solid management team". It highlighted the fact that tax-advantaged scheme thresholds can be quickly breached by high-growth companies.

Find out more at icaew.com/cff

LIVERPOOL SEMINAR TO DISCUSS CONTEMPORARY VALUATIONS



ICAEW and KPMG are hosting a special breakfast event on 14 June at KPMG's offices at 8 Princes Parade, Liverpool, to discuss the business valuations best-practice guideline – *Contemporary valuation issues in deals* – commissioned and published by the faculty and co-authored by KPMG partner and head of valuations Jonathan White and KPMG valuations manager Adam Brouwer.

It follows on from the guideline's hugely popular launch event hosted at KPMG Number Twenty in London last November. There will be a particular focus on valuing technology businesses.

Mark Collard (1), associate partner at KPMG, will set the context of the deal environment and key emerging valuation issues. John O'Brien of MSIF will moderate the event, and the panellists will include Knight Corporate Finance partner, Paul Billingham (2); Mark Borzomato (3), director of Spark Impact; and Colin Sinclair (4), CEO of Liverpool's Knowledge Quarter.

Registration opens from 8.30am for a 9am start. For more details contact alex.pilkington@icaew.com

NEWS IN BRIEF

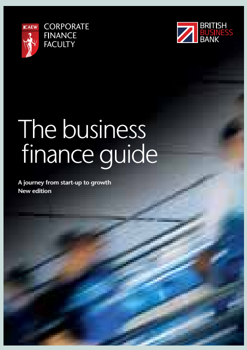
The ICAEW Corporate Finance Faculty's Middle East network held a panel discussion on 2 May on the effect of technology and artificial intelligence on M&A deals in the Middle East. Deloitte corporate finance partner Robin Butteriss; KPMG director and head of data and analytics at KPMG in the Lower Gulf Cristian Carstoiu; Alexander Gross, Drooms senior partner; Hatcher+ partner John Sharp; and Addleshaw Goddard partner Andrew Johnston were panellists. Salma Sakhnini, CEO of ICON Investment Consultants, was the moderator.

Shaun Beaney was guest speaker on behalf of the Corporate Finance Faculty at a seminar on R&D tax credits, held at the Royal Society of Engineering in London last month, and organised by University College London's Innovation & Enterprise team. Nigel Walker, head of innovation lending at Innovate UK, and Joanna McDowell and Andreas Kyprianou, tax advisers from BDO, also spoke.

ICAEW has published three new helpsheets to amend existing engagement letters, and other letters, and fully incorporate changes as a result of GDPR. Visit icaew.com/gdpr for further details.

Accessible versions of the hugely popular *Business Finance Guide* have been printed in conjunction with the Royal National Institute of Blind People. The three large print versions in 16, 20 and 24 point fonts can be found at icaew.com/bfg

The guide is published by ICAEW and the British Business Bank.



AGM

IKON/GILLIAN BLEASE

MARK PACITTI SIGNS OFF AS FACULTY CHAIR

The Corporate Finance Faculty's AGM was held at Chartered Accountants' Hall on 3 May. Senior representatives of the faculty's 85 member firms joined the faculty board to approve the accounts, and hear outgoing chairman Mark Pacitti recap the past 12 months (see below). Faculty head David Petrie set out plans for the future.

Pacitti, who has been chairman since 2015, also announced that he would be retiring from Deloitte, where he is a partner and was global head of corporate finance advisory. He plans to focus on non-executive director positions and private investing, and will remain closely connected with the faculty.

LEADING THE WAY IN 2017-18

The Development Bank of Wales, Anthesis, Drooms, FRP Advisory, LDC, Spectrum Corporate Finance, Stonehage Fleming and Thinkat Capital have all become faculty member firms over the past few months.

The faculty published *Contemporary Valuation Issues in Deals* (with KPMG), as well as a guideline with the Asset Based Finance Association (now part of UK Finance).

Pacitti highlighted the organisations the faculty collaborated with:

- Accountancy Europe
- British Business Bank
- Creative Industries Council
- Department for Business, Energy & Industrial Strategy
- Department for Digital, Culture, Media & Sport
- Design Museum
- Enterprise Europe Network
- HM Treasury
- Innovate UK
- UK Finance
- The Takeover Panel
- The Accelerator Network
- University of the Arts London

Last year, the faculty was a major contributor to ICAEW's response to the UK government's industrial strategy. The faculty also led the institute's response to the Patient Capital Review by HM Treasury.

In his farewell speech, Pacitti said: "The Corporate Finance Faculty is often cited as a prime example of a connected community, given that more than 40% of our members come from beyond ICAEW. Our faculty is often seen as leading the way when it comes to developing membership, and operating activities with individuals and organisations, extending way beyond our origins in chartered accountancy."

PLAN FOR THE COMING YEAR OUTLINED

The faculty announced it would be focusing on:

- AI, big data and cyber security in transaction services;
- due diligence best practice;
- prospective financial information;
- debt for deals;
- the future of corporate finance advisory; and
- public policy and representation.

PRESENTATIONS

During the AGM, Petrie made presentations to three people who have made significant contributions to the work of the faculty over many years.

Mark Pacitti, outgoing chairman of the Corporate Finance Faculty, retires from Deloitte this summer.

Simon Mollett, director of Beechcroft Associates, who was a founding member of the faculty 21 years ago, has also been a longstanding member of its Technical Committee. He edited the first edition of *Corporate Financier*, originally a newsletter.

David Coffman, corporate finance director of Cairn Financial Advisers, has stepped down from the faculty's board, but will remain a member of the editorial panel of *Corporate Financier* magazine.

SPOTLIGHT ON NEW CHAIR

Mo Merali, UK head of private equity at Grant Thornton, has been appointed as chairman of the faculty, succeeding Mark Pacitti.

Merali has been working in corporate finance at Grant Thornton for more than 25 years. He is also a member of the firm's partnership oversight board.

"The UK's corporate finance community has a tremendous opportunity and influential role to play in unlocking growth across the economy. I look forward to working with board colleagues to ensure that the faculty and its members achieve our ambitions," said Merali.

Petrie said: "Mo brings a wealth of knowledge and experience in private equity and M&A. He has been actively involved with the faculty for many years, and is very well known."

IN NUMBERS

European private equity fundraising in 2017, predictions for global deal values in H1 2018, and this year's forecast UK Plc dividends

€71.7bn

private equity investment in European companies in 2017

29%

up on 2016, and a 10-year high

€91.9bn

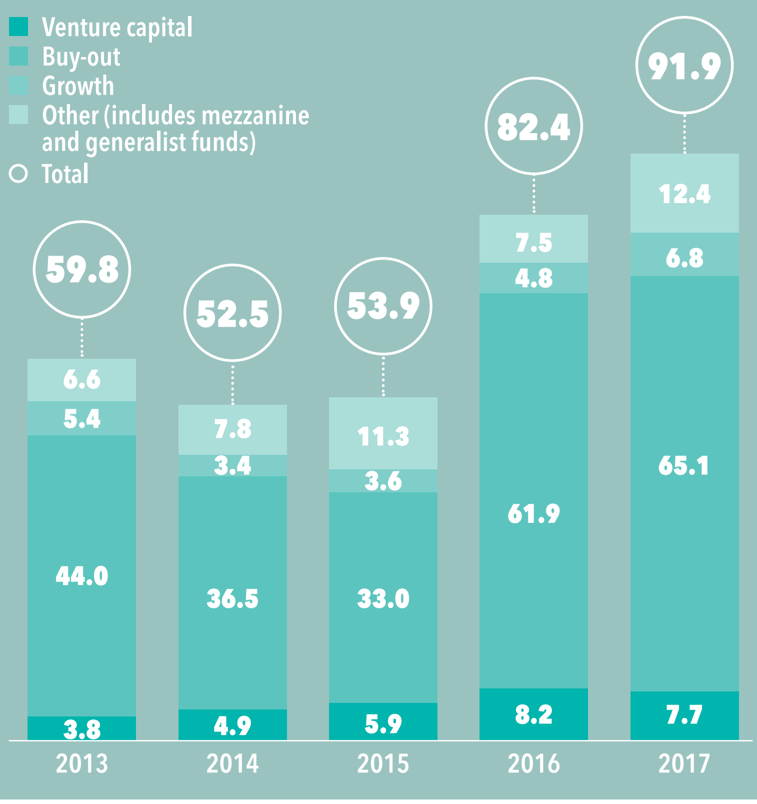
European private equity fundraising in 2017

12%

up on last year, and a 10-year high

SOURCE: INVEST EUROPE

INCREMENTAL AMOUNTS RAISED DURING THE YEAR IN EUROPE (€BN)



SOURCE: INVEST EUROPE/EDC

$1.7trn

Global M&A in first four months of 2018. Global deal values are expected to hit record high in the first half of the year

SOURCE: DELOITTE

FUTURE DEAL PLANNING

65%

of UK companies plan deals in the next 12 months – the highest level since 2010

SOURCE: EY

£90.4bn

Forecast of UK Plc dividends for 2018 – up 2.9% year-on-year

+3.9% Q1 2018's increase in UK Plc dividend yields

SOURCE: LINK ASSET SERVICES

75%+

of global deals completed in 2018 so far had cov-lite loans, defined as not having typical financial covenants that can protect investors

SOURCE: S&P

JON MOULTON

ON THE LONG LIST

Constant iterative changes to laws and regulations, including GDPR, have overloaded many company directors. How can they catch up?

Anything could happen with Brexit. Meanwhile, US president Donald Trump could do absolutely anything. The global economy may be slowing. North Korea could even be turning pleasant. In a world full of uncertainty, I suppose I should be glad of some perennials: the European Services and Markets Authority, Britain's Financial Reporting Council and its Financial Conduct Authority (FCA) all continue to pump out more and more edicts that mean my diary planning is largely done for me.

Many of you will have grappled with General Data Protection Regulation (GDPR) implementation over recent months. This monster contains the usual lack of anything vaguely resembling a cost-benefit impact assessment to justify the implementation of such a wide-ranging law. But with the same usual lack of any sense of irony, GDPR instead requires businesses to conduct extensive impact assessments.

It's hard to know what the full cost of GDPR will be, but (rough) estimates suggest it will be around £400 per employee. With about 32 million people in employment in the UK, that equates to an implementation cost of about £12bn in Britain alone. A lot of this expense will be recurrent, but the implementation cost will itself be a significant component of the loss of growth in the economy in the second quarter (quarterly GDP is approximately £500bn). The unjustified total future cost will hit GDP forever.

GDPR has already taken up significant time for many in senior management, resulting in loss of effort on growth and efficiency and lack of economic vigour. Corporate financiers better get used to GDPR affecting what they are allowed to put in a data room (virtual or not). Given the impenetrability of the language used in the regulations and its unknown future construction, you'd be wise to limit disclosure significantly.

I can now, as non-executive chair, be held liable for severe penalties for not knowing all this stuff. It certainly focuses the mind

There are lots more regulations than just GDPR being hosed at businesses. I chair a stockbroker and it is genuinely difficult to save enough board meeting time to deal with matters other than regulatory issues – MIFID II, MAR, changes in corporate governance, AIM rules, RTS 27 & 28 (you really don't want to know what these are) and GDPR took up the comfortable majority of our last agenda. It's a very real challenge to ensure that the company directors keep current with the mass of relevant rules.

Coming soon: the FCA's Senior Managers Regime. I fall into row eight in the table of regulations. I can now, as non-executive chair, be held liable for severe penalties for not knowing all this stuff. It certainly focuses the mind.

Last month I was at a breakfast where a senior civil servant from the Department for Business, Energy & Industrial Strategy (it's a struggle to keep current with the department's latest name) talked of the need for "constant iterative" change for the corporate governance attaching to UK companies and directors. There are about 12 initiatives of varying significance running, which will shortly affect company law and governance.

Amusingly, this civil servant was of the opinion that directors who did not understand section 172 of the Financial Services and Markets Act 2000 were not fit to be directors.

My faith in UK directors was rewarded. I quizzed about 20 directors from FTSE 100 companies through to SMEs on section 172. Not a soul knew what it was.

The best thing would be to cut the excess. But deregulation has to be politically driven and it is not. You have to understand the rules to delete them. But if governments and regulators can't give us fewer regulations, could they at least leave us alone long enough to catch up? ●

FUEL'S GOLD

Motor Fuel Group's recently announced acquisition of MRH will combine the UK's two largest service station operators. Brian Bollen explores the fuel sector and its capacity for growth

For all the excited chatter about electric and driverless cars, the vast majority of drivers still pull into a service station and fill up the car with petrol or (probably decreasingly so) diesel. When they go to pay for their car's black gold, they do some shopping at the attached convenience store or grab a coffee - the other black gold.

In the UK the service station business is no longer the domain of the giant petrol companies. There is a mix of operating models for service stations. Some remain owned and operated by the fuel company whose brand is emblazoned on the pumps, and some of those will be owned by the fuel company, but operated as a franchisee. Some will be owned by a private business, which owns many service stations, and has cut deals with the fuel companies to sell their branded petrol and diesel.

The shop will be the result of a deal between the fuel company or the private service business that owns the forecourt, and the shop or café.

On the continent the approach is not the same. But now, the biggest forecourt operator in the UK is a private equity-backed business that operates a franchise model, cutting deals with the likes of Subway, Costa Coffee and Costcutter. How did they get there? A series of investments and acquisitions.

In February, Motor Fuel Group (MFG), the UK's second largest service station operator, which is backed by veteran New York private equity house Clayton, Dubilier & Rice (CD&R), announced a £1.2bn acquisition of MRH - the UK's largest forecourt operator. Headquartered in Staines-upon-Thames and founded in 1997, MRH serves 2.5 million customers every week at 491 UK-wide sites.

Investec acted as M&A adviser on the deal, which created the UK's number one operator by far in

terms of the number of sites, and number two by litres of fuel pumped.

CD&R bought MFG from Patron Capital in 2015 for £500m. The deal included a 'war chest' in the region of £100m for the pending acquisition of 90 sites from oil major Shell (a £300m, seven-year term loan equity from CD&R and the management team and a £60m revolving credit facility financed that transaction). The overall leverage in that deal was about 5.3x EBITDA - the latest acquisition is meaningfully higher.

Back in 2011, MFG's CEO William Bannister and chairman Alasdair Locke outlined to their advisers their ambitions for consolidation of the sector. That funding seven years ago was for a £3.8m EBITDA business. In four years it had grown to £54m EBITDA.

There were three main factors driving earnings growth. First, the grocery side of the business was relatively unexplored and therefore had strong upside potential. To exploit this opportunity, some real heavyweight experience was brought in. Former Tesco CEO Sir Terry Leahy, a senior adviser to CD&R's funds, joined the MFG board at the time of the CD&R buy-out.

At the time of the transaction, CD&R partner Marco Herbst said: "Both MFG and MRH operate in a stable market and are focused on convenience, with a track record of consistent growth and commitment to operational excellence. As petrol forecourts transition to customer-focused convenience and food-to-go hubs for local communities, this platform is positioned to meet this demand across the UK."

Second, the sector appears to be in a phase of continuous consolidation. This is largely through the acquisition of bundles of sites owned by oil majors who view retail as a side line, a distraction even.

£500m
How much CD&R bought MFG for in 2015

£1.28bn
Turnover of Patron and MFG's sites

SERVICE HISTORY

DEC 2011 Patron Capital (87%) and Scottish Capital Group (13%) acquired MFG for £51m, in a distressed sale from its bankers, HSBC. New management team, headed by CEO William Bannister, brought in

2012 MFG acquires portfolio of 10 Shell petrol stations for an undisclosed sum and signs a deal with Costcutter to take over the forecourt shops at its petrol stations

2013 MFG acquires 53 freehold forecourts, which were all let on long leases to Murco

OCT 2014 MFG acquires remaining retail business of Murco Petroleum, which included 228 forecourt sites, for an undisclosed sum

APR 2015 90 Shell-branded service stations acquired; while Murco was launched as a dealer brand

JUL 2015 CD&R backs management in a £500m secondary buy-out of MFG from Patron Capital

2016 Acquisition of North West-based Synergie Holdings and its 19 service stations; and North East-based Roadside Group and its 10 stations

2017 Acquisition of four service stations each from FW Kerridge and Burns & Co; nine from Manor Service Stations; and 14 from the Golden Cross Group

2018 MFG acquisition of MRH

Service stations are likely to change in the future and MFG is ideally positioned to drive that change and reap the rewards

In 2011 Patron and MFG management owned 48 sites. By 2015 they had 370, as well as a 200-site dealer network. In 2014 pro forma sales were at £1bn and turnover in 2016 was £1.28bn. A source close to the deal said the real focus has been and remains on growing EBITDA.

Under CD&R's stewardship retail expansion has continued apace. After the takeover there will be 900 sites, predominantly company-owned and franchisee-operated. The fuel brands at the pumps are branded BP, Esso, Jet, Murco, Shell and Texaco. On a combined basis, MFG and MRH sold 3.6 billion litres of fuel in 2017. Their retail offering is Budgens, Costa Coffee, Greggs, Spar, Subway and Hursts.

BP also owns more than 800 sites, and last January it announced it would be expanding the number of M&S Simply Food convenience stores at its owned service stations. Its relationship with M&S has been going for well over a decade.

Consolidation has increased the company's presence, which brings us to the third point - the growth has increased the bargaining power of MFG both as buyer and seller. Dynamic, artificial intelligence-driven pricing is deployed to reflect the time of day and traffic volume.

Service stations are likely to change in the future, and MFG is ideally positioned to drive that change. A growing number of cars will be electricity-powered, rather than petrol or diesel-driven. Charging points are beginning to be installed at MFG's sites.

In August 2017, MFG announced it was teaming up with ChargePoint Services to roll out electric charging points at its service stations. In December MRH announced a similar partnership deal with Ionity. And they are not alone. In January of this year, BP announced it was installing charging points at its company-owned forecourts.

CD&R partner David Novak said the deal aligns with its retail investment strategy, and makes the enlarged entity a compelling platform: "It is another example of our European strategy to back strong management teams to build market-leading companies serving high-growth markets."

Thinking about exit is inherent in any private equity transaction. IPO, or tertiary private equity sale look like feasible options (in today's market).

In the meantime, MFG's Locke described the transaction as a transformational milestone for both companies. He will remain chairman of the combined business through the next growth phase. Part of that process involved the recent recruitment of new senior staff, including new retail director, IT director, managing director, fuel operations director and - of particular interest to corporate financiers - M&A director. The journey continues. ●

900

Number of sites after MFG's acquisition of MRH

3.6bn

Litres of fuel sold by MFG and MRH in 2017

"It is another example of our European strategy to back strong management teams to build market-leading companies serving high-growth markets"

David Novak,
partner, CD&R

HERE'S THE DEAL

In February 2018, Motor Fuel Group (MFG) announced it had reached agreement to acquire MRH for £1.2bn. MFG's private equity-backers, Clayton Dubilier & Rice.

MFG's M&A advisers were Investec, Goldman Sachs and RBC Capital Markets. Clifford Chance and Debevoise & Plimpton were legal advisers. Due diligence was carried out by AlixPartners, EY and McKinsey.

MRH's M&A advisers were Lazard, their legal advisers, Weil, Gotshal & Manges. Due diligence was carried out by PwC and OC&C.

Charles Russell Speechlys provided advice to MRH management. Dorsey & Whitney and Wyvern Partners advised MFG management.

The £1.2bn transaction is expected to close in Q2 2018, subject to the usual regulatory approvals. A £1.75bn debt package was put in place for the new group, which involved refinancing MFG's and MRH's existing debt, as well as financing the acquisition. BNP Paribas, Goldman Sachs and HSBC led the debt financing alongside Deutsche Bank, ING, RBC and Societe Generale. According to Reuters, the financing comprises a £1.2bn-equivalent first-lien loan (£300m of which is in euros), a £285m second-lien loan and a £265m revolving credit facility. The loan backs the acquisition, and refinances approximately £1bn of existing debt in both companies. Ultimately, the financing will be syndicated, sources said.

ALAMY

DEALMAKING HEARTLAND

In corporate finance terms, the Midlands has built on its industrial tradition to make a virtue of its proximity to global opportunities and its young population. Christian Annesley speaks to regional advisers about renewed vibrancy


The Cube building, Birmingham


University of Nottingham, Jubilee campus buildings

The Midlands is on the move. That's the message from the confident corporate finance community in the region – and it's backed by plenty of evidence that bears out the growing economic optimism in the so-called 'Midlands Engine'.

One measure of a region's progression is the longest-ever list of Midlands companies on *The Sunday Times'* BDO Profit Track 100 league table, which documents companies with fast-growing profits over three years. There are no fewer than 19 Midlands companies on the list this year – more than any other region of the UK bar the South East, and up from 11 in 2017.

RENEWED ECONOMY

Satvir Bungar, BDO corporate finance managing director based in Birmingham and national head of the facilities management sector for M&A, says today's marketplace and the companies he sees are as strong as he can remember in his 18 years of dealmaking in the Midlands – and that's despite all the uncertainties caused by Brexit.

"We've done research at BDO into today's emerging new economy, driven by digital disruption, and the Midlands sits at the heart of this movement. It's become a powerhouse in recent years, with companies such as Gymshark and Gtech winning through by innovating and using technology to drive success. It's something that is also backed up by the region's excellent universities and research, with strong connections into business and enterprise."

Ben Francis founded Redditch-based Gymshark six years ago. The online sportswear retailer used social media to boost brand recognition and drive profits, which grew an average of 73% a year, reaching £8m in 2017. Worcestershire-based Gtech is an appliance manufacturer that makes cordless vacuum cleaners, sweepers, garden tools and electric bicycles. Its profits grew by 57% to £18m in 2017.

The Gymshark team in Birmingham

BUSY BEES: LONG HAUL

The UK's largest childrens' nursery group is a Midlands success story, headquartered in Burntwood in Staffordshire. The business has grown fast through national and international acquisition and organic growth in recent years. Last year, it paid £93m for Treetops Nurseries.

Earlier this year, it confirmed plans to move into China with a 200-place setting in the country. This will be followed by a further five nurseries in China this year alone, and another 27 by 2023. The expansion is in partnership with Chinese stakeholder Oriental Cambridge Education Group (OCEG). The 'international pre-schools' will be in locations including Beijing, Shanghai, Nanjing and Xiamen and are expected to generate almost £75m in revenue over five years.

In its last accounts, Busy Bees' parent company Eagle Midco revealed turnover of about £250m in the year to 31 December 2016, compared with £216.8m a year earlier. Turnover from Asia had climbed to £63.7m from £51.7m.

"Companies are winning by innovating and using technology"

Satvir Bungar, managing director, BDO corporate finance

For the corporate finance community, one measure of the region's buoyancy of late has been the resurgence of private equity. LDC, which has long had a major presence in the Midlands (from its Birmingham office), has been joined by Palatine Private Equity and NorthEdge, as well as the Business Growth Fund (BGF), which invests 'patient capital' for minority stakes in businesses.

The Big Four accountants have long had a corporate finance presence in the region. Meanwhile, BDO has been growing its offering in recent years. And Catalyst Corporate Finance, set up by Andy Currie in the Midlands with offices in Nottingham and Birmingham, was last year acquired by Spanish banking group Alantra – a deal that was generally seen as a sign of the firm's success.

GLOBAL MARKET

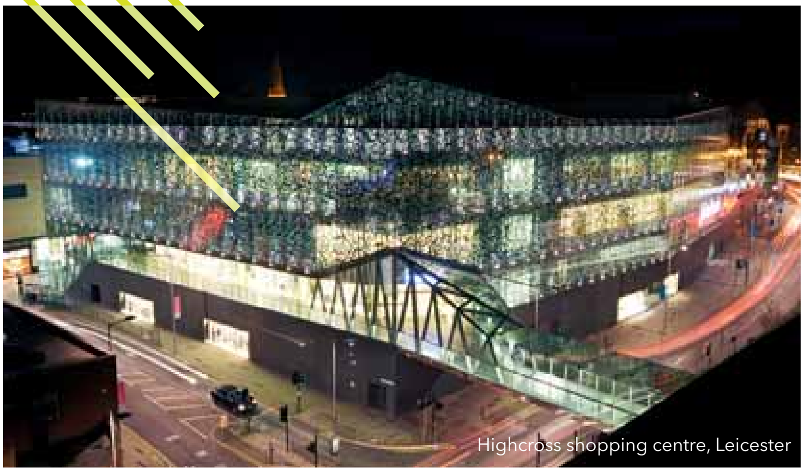
Khush Purewal, partner and head of KPMG's corporate finance practice in the region, says companies and dealmaking in the Midlands must have a broad outlook: "Even 20 years ago, it was crucial for businesses of ambition to get to know their local market through the leading local dealmakers, but in today's globalised, online world perhaps that seems less significant. Local still matters, because proximity and local knowledge counts, but only if you are getting world-class quality and the right access to deal opportunities."

"The region's voice is starting to be heard nationally"

Khush Purewal, partner and head of corporate finance practice, KPMG

In this vein, Purewal and others are quick to characterise the Midlands as a location for trading and engaging with businesses not just across the UK, but throughout Europe, the US and beyond.

What Purewal says this now-thriving region has lacked until recently is a cheerleader for its economy and success. He says the successful championing for so many years of Manchester (now at the heart of the 'Northern Powerhouse') by the city council's former chief executive, Sir Howard Bernstein, before his retirement last year, should be a blueprint for the Midlands.



Highcross shopping centre, Leicester

PRIVATE EQUITY HOUSES WITH OFFICES IN THE MIDLANDS

- BGF
- Equistone Partners Europe
- Foresight Private Equity
- Fresh Equity
- Intrinsic Equity
- Jasper Private Equity
- LDC
- Maven Capital Partners
- Midven
- NorthEdge
- Palatine Private Equity
- Pillbox Capital

"We have some big corporate names in the region, which resonate, like Jaguar Land Rover or GKN or Rolls-Royce, with their large supply chains and reach. But it's only with the devolution deal and Andy Street as the first elected Mayor of the West Midlands, for example, that the region's voice is starting to be heard nationally."

BROAD BASE?

One aspect dealmakers all pick up on about the Midlands today is how it has transcended its roots in manufacturing to give the economy a broader economic base, which means there is a greater spread of deals across different sectors.

"That base matters," explains Purewal. "Across the region, each metropolitan centre has its own profile of businesses and sectors, and that means each is working to the rhythms of the lifecycle in each particular sector. Their performance is not driven by the success or otherwise of the region, in other words, but by the macroeconomic cycle in each particular sector and the individual company's ability to beat the market through excellence."

He points to the Busy Bees nursery group in Staffordshire, which has expanded into China (see 'Busy Bees: Long haul' box, page 15). Purewal points out that the Midlands has the youngest population in Europe, which has created a dynamic economy. "Make no mistake: the Midlands is on the march. Lifecycles in business are getting shorter. What we have seen in the Midlands, through the reinvention of technology and engineering, is an ability to embrace change and a real entrepreneurialism."

Lawrence Dean, an investment director in the Birmingham office of private equity firm LDC, is an investor who says the past two years have seen activity levels and confidence grow across the region. "Right now our pipeline of opportunity is substantial, and we've done some standout deals. We invested £350m in 20 new investments last year, including Addo, Ensek and Blue Bay Travel in the Midlands."

He says deal opportunities reach LDC through referrals from the local corporate finance network, as well as the in-house deal origination team, which

"I was struck by the determination and openness"

Darren Boocock, head of Midlands corporate finance, Deloitte

"Right now, our pipeline of opportunity is broad"

Lawrence Dean, investment director, LDC

"The market will start to look at equity more. It's a virtuous cycle"

Gurinder Sunner, investor, BGF

has close relationships with the business and advisory community. "The deals we do often involve bank debt from the high street lenders, with which we have strong relationships, but we find the debt fund market is useful to tap into. We've got ourselves comfortable with different sources of debt funding."

THE EQUITY INVESTORS

More recently well-established as an equity investor in the region is BGF. Gurinder Sunner, who runs BGF's investment activity across the Midlands, says: "With more deals being done here than ever, the market will start to look at equity more and more. It's a virtuous cycle and it's definitely established now. BGF's patient approach to investment is probably a good fit with the region's family-owned and manufacturing businesses, but our portfolio of investments here is broad, with a nice balance of sectors represented."

Darren Boocock, Deloitte's head of Midlands corporate finance, says so much has changed since he arrived in the Midlands 10 years ago with a remit to rebuild Deloitte's team, having worked in the South East previously. The financial crisis was taking hold when he got under way, and there were quite a few stressed deals around.

"A few private equity houses closed, but the core corporate finance community just rolled up its collective sleeves and travelled further to find the work that needed doing," he says. "I was struck by that determination and openness at the time. It's still there now, even as an agile and buoyant new economy has moved in.

"The market today is so much healthier than 10 years ago. There are lots of overseas acquirers buying up good Midlands businesses, but alongside that there are the private equity deals now that weren't there at one point. The corporates are still interested, but there is more competition for good businesses than ever."

The deals themselves come together well, he adds, as there is a talented corporate finance community, even with the competition. "I've worked in a few markets around the UK and the Midlands is a place that gets things done." ●

ALAMY, GETTY

LET BATTLE COMMENCE

WITH THE GKN-MELROSE SAGA, HOSTILE TAKEOVERS HAVE BEEN BACK IN THE HEADLINES. BUT WHY? HOW DO BIDDERS AND TARGETS APPROACH A HOSTILE SITUATION? AND WHAT HAPPENS IN THE AFTERMATH? DAVID PROSSER LOOKS AT THE WORLD OF UNWELCOME OVERTURES IN M&A

Don't Let Vultures Destroy a British Colossus, read the *Daily Mail*'s front page on 26 March. Britain's most popular newspaper was siding with engineering giant GKN as it fought off unwelcome overtures from (British) industrial investment company, Melrose Industries. Ultimately, GKN lost the battle, but whether its stakeholders win the war only time will tell. The £8bn acquisition got clearance in April.

Elsewhere, Takeda's $83bn hostile bid for Shire Pharmaceuticals is in motion. Last year, there were $465bn of hostile bids tabled globally, according to Dealogic. Only $16bn were completed - $255bn withdrawn and $153bn rejected, with $42bn still being fought over at the time of writing.

This spring's battle for GKN - which fought doggedly, but unsuccessfully - to see off a hostile bid from buy-out specialist Melrose, was perhaps the bitterest fight in the UK since Kraft won its initially hostile bid for Cadbury in 2009. Last year's biggest failed hostile takeover was the Kraft Heinz Company's $143bn possible offer for Unilever.

SHAKE HANDS

Sometimes, bids start out as hostile but transform into recommended offers. Last year, French laundry services group Elis bought its UK rival Berendsen for £2.2bn in a deal that became an agreed takeover after a war of words following the initial bid, and an offer that was subsequently raised. But in other cases where no agreement is possible, the bidder must decide to either walk away or put the offer to a shareholder vote.

The reality, says Philip Robert-Tissot, a former investment banker who has also served as director general of the Takeover Panel, is that neither side really wants to get into a hostile deal. The bidder would rather have its offer recommended, while the target company either wants to get rid of an opportunist so that it can pursue its own strategy at its own pace, or, if it seems likely to be sold, extract as much value as possible for shareholders.

"Logically, if the bidder offers a reasonable price and engages with the target's board, a hostile takeover need not necessarily arise. Boards nowadays understand very well their fiduciary duty to shareholders," explains Robert-Tissot, who is also a member of the Corporate Finance Faculty's board. "If you do go hostile it's because you think the target board is being unreasonable in rejecting your offer - so you have to go over their heads to the ultimate owners of the target company."

For bidders, deal strategy is therefore likely to start with the aim of securing a recommendation, says Nick Rumsby, a corporate and M&A partner at Linklaters. "Bidders prefer to avoid having to go hostile because a recommendation is valuable and makes things much easier," he says. "But if a bidder is considering going hostile, why not test the market by announcing possible terms before incurring the costs of launching a firm offer that would then need committed financing?"

Step one for the bidder in practice, having had an approach or indicative offer to the target rebuffed, is thus to apply some pressure.
By going public with its interest - possibly even sharing details of its valuation - the bidder encourages the target's shareholders to push their board to come back to the table.

It's also possible that this tactic will start to build investor support. Not least, the public disclosure of a bid situation is likely to give the target's share price a fillip, which may persuade some shareholders to sell. That gives other investors,

"Bidders prefer to avoid having to go hostile"

Nick Rumsby,
corporate and M&A partner, Linklaters

£8bn

Price offer for GKN from industrial investors Melrose

$143bn

Value of failed bid by Kraft for Unilever in 2017

ILLUSTRATION: MARCELLO CRESCENZI

"While boards historically considered deals in the context of the interests of shareholders, we've seen boards take a more robust longer-term view"

including those with shorter-term horizons, which may include activists (see 'Activists on the rise', on page 21), an opportunity to join the share register. And they are likely to be more minded to support the bidder.

ON THE OFFENSIVE

If the effort to secure a recommendation falls short, bidders must decide whether or not to go formally 'hostile'. But they will at least have had an opportunity to test their arguments with shareholders.

These will be the arguments that set the tone for the battle to come, fought over a timetable very clearly set out by the Takeover Code (the Code). While the UK's takeover rules are sometimes criticised, the objective is to bring about an orderly framework that bid participants and the market can navigate.

$465bn

Value of hostile bids tabled globally in 2017

$16bn

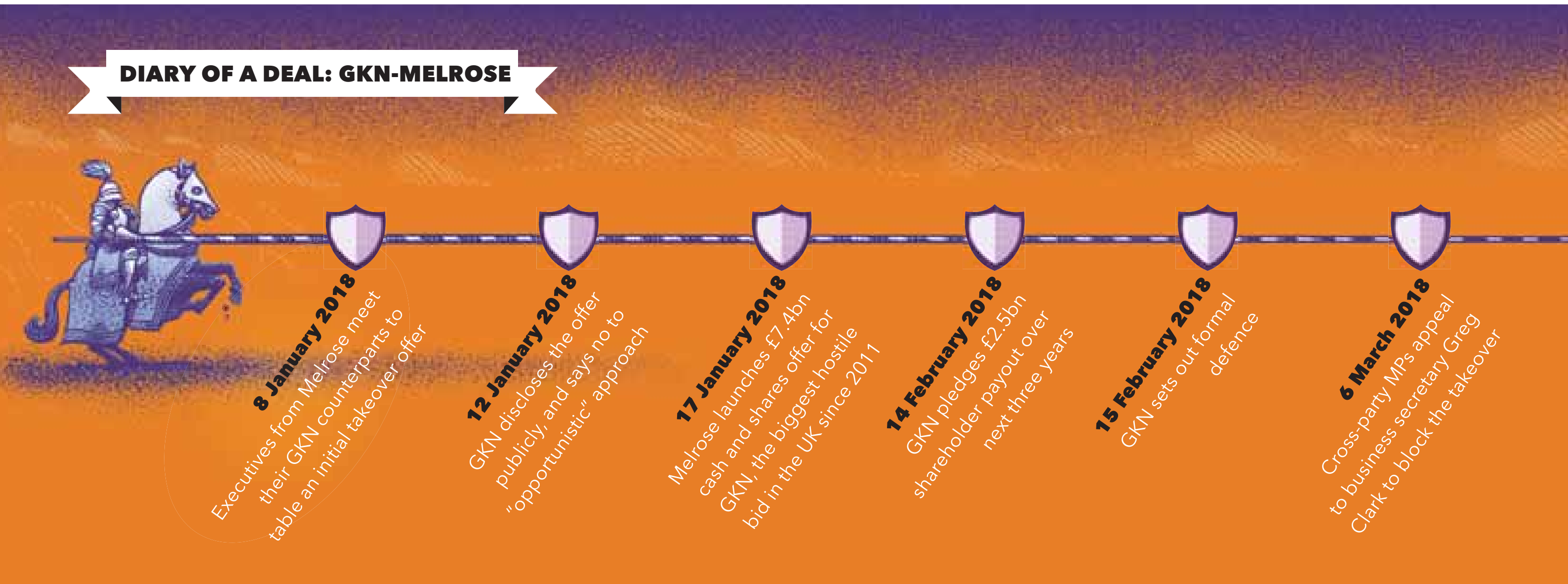
Value of those offers that actually completed

"The Code gives you a high level of clarity on the bid process and timetable," says Robert-Tissot. "You occasionally hear bidders or targets blaming the Code when they don't get the result they want, but it's a system that works extremely well, which is why many other countries have adopted their own versions."

Deadlines certainly focus minds, forcing both bidder and target to marshal their strategies quickly. Clearly, a large part of the conversation will be about value, with both sides modelling what they believe to be a fair price for the business and making their case accordingly.

In practice this isn't a straightforward debate. For starters, no two stakeholders in any deal - from investors through to management - will necessarily agree on what constitutes "a reasonable price". Moreover, price isn't the only determining factor. The landscape has changed.

"While boards historically considered deals in the context of the interests of shareholders, present and future, and largely equated this to price, we've seen boards take a more robust, broader and longer-term view in recent years," says Selina Sagayam, head of UK transactional practice development at law firm Gibson, Dunn & Crutcher, and a member of the Corporate Finance Faculty board. "The law has always required boards considering a deal to think about a broad



ACTIVISTS ON THE RISE

Corporate raiders or advocates for shareholder value? Whatever your opinion of activist investors, they have played an increasing role in corporate actions, including M&A activity in recent years. Last year alone, more than 800 companies globally found themselves on the end of activist investor campaigns, according to analysts at Activist Insight. While more than half those campaigns took place in the US, activist investment is now growing in Europe, and in particular the UK – 36 British companies were targeted last year.

Activists' focus is on releasing more shareholder value in the short term, often by pushing for the break-up of a company they judge to be underperforming. They can therefore be useful allies for hostile bidders, acting as a focal point for support among shareholders. For example, the decision of Elliott Advisors, one of the best-known activist investment firms, to back Melrose's bid for GKN was widely seen as a key turning point in the battle for the company.

Critics complain that activist investors are too short-term, pushing businesses to sacrifice long-term value creation in favour of a quick payday. Such transactions often attract several activists, as well as other more speculative shareholders such as hedge funds and arbitrageurs, which adds to this perception.

range of stakeholders and issues, but particularly in the context of hostile takeovers. The [UK] government supports the proposition that in fulfilling their duties to promote the best interests of the company, boards can reject a bid which they consider is value-destroying in the longer term, even if it is an attractive price. This is supported by the Code, which provides that a target company board is not bound to consider the offer price as the determining factor in giving its opinion on an offer and may consider other factors."

Sometimes, those factors may be related to execution. For example, Halliburton's $3.4bn bid for oil explorer Expro in 2008 was higher than a rival offer from private equity firm Candover. But the latter still won out because Expro's board saw it as more likely to get over the line.

"Bidders now have to think about what undertakings they might be prepared to offer"

Selina Sagayam, head of UK transactional practice development, Gibson, Dunn & Crutcher

WIDER INTERESTS

In other cases all sorts of issues may come into play. The interests of employees may be one consideration, while environmental issues or national interest, such as the location of headquarters, may also be cited. In GKN's case, the board argued that remaining independent would ensure greater commitment to research and development, creating greater shareholder value in the longer term.

"Both sides need to consider these issues very carefully," Sagayam adds. "They effectively provide the target company with a range of different tools with which to repel an unwanted offer, so the bidder has to be ready to counter whatever the narrative may be."

In many ways, the target company has the upper hand. It has access to the business's granular data, which helps it to build a more compelling case for

“Even if the conditions are not too onerous, the government is dictating business strategy to a private company. This should make us all feel uncomfortable”

independence. Ideally it will also have anticipated an approach; particularly if it acknowledges that weaknesses or underperformance have left it vulnerable; it should therefore have a plan B to offer shareholders.

This will be more credible, particularly with long-term investors, if it provides a renewed strategic vision for the business rather than short-term pay-offs - for example, in the form of special dividends financed by a quick divestment, or a commitment to raise gearing. But the target has at least had time to work on this part of its defence.

The other part of the defence strategy is likely to be attack - pick holes in its offer and scrutinise its track record. Does it have a good record of creating value from M&A? Can it be characterised as short-term, opportunistic or even as an asset-stripper? What has been the effect on jobs following previous deals? Is there a history of environmental damage?

In turning to the offensive, the target is returning to that broader definition of fiduciary duty. It will seek support from as broad a coalition as it can muster - employees, trades unions, the media, pension trustees, industry groups, consumer groups and even politicians.

NATIONAL DEFENCE

Where the bidder is a foreign company, playing the national interest card - even ‘wrapping yourself in the flag’ - can be one way to garner such support (see ‘Mean streets’ cover story, *Corporate Financier* September 2017). But even if the headlines are negative for a bidder, regulators and governments

Julian Jessop, chief economist, the Institute of Economic Affairs

are very often unable to intervene. Shareholders will typically take a more commercial view on which side to support.

Julian Jessop, chief economist at the conservative thinktank, the Institute of Economic Affairs, argues: “There is nothing patriotic about preventing shareholders of British companies from deciding the best way to improve the performance of the businesses they own; this is ultimately in the best interests of employees, customers and the wider economy too. “Even if the conditions imposed [where ministers intervene] are not too onerous, the government is dictating business strategy to a private company. This is something that should make us all feel uncomfortable.”

On the other hand, even without an intervention, reasonable arguments about the preservation of people’s jobs, site locations and other longer-term

REGULATORY PERSPECTIVE

When a target company has successfully persuaded independent campaign groups or the media to support its defence, there are often calls for regulatory or government intervention in a takeover process. But currently UK takeover law provides little room for such interventions.

First, the Competition and Markets Authority (CMA) has a duty to consider any merger where the target has annual sales of £70m or more, or if the combined business would control 25% or more of its market.

Where the CMA believes such a deal would result in a “substantial lessening of competition”, it must formally assess the proposals. This may lead to a referral for a full-scale investigation or a decision that such an investigation is unnecessary. A full-scale investigation may lead to the CMA blocking the deal or setting out conditions for its approval.

The government can only intervene when a deal potentially gives rise to particular public interest concerns.

The government recently completed a consultation as part of the *National Security & Infrastructure Investment Review*, on which the Corporate Finance Faculty responded on behalf of the ICAEW. The UK government proposals would lower the turnover threshold and share of supply tests, potentially enabling the government to intervene in mergers that currently fall outside the thresholds in the defence sector and parts of the advanced technology sector. The government also sought views on long-term reforms to ensure investments and takeovers will not create national security risks.

INTERNATIONAL PERSPECTIVE

Hostile bids are increasingly common on the global stage. The proposed $142bn takeover of American tech firm Qualcomm by Singapore's Broadcom is an example of a contested bid that has erupted on the global stage this year.

Could protectionism put a halt to such deals? Broadcom's proposals were ultimately vetoed. In this case, president Donald Trump himself intervened to block the deal. The Committee on Foreign Investment in the United States has derailed several previous transactions.

In particular, the committee has sought to prevent purchases of American technology companies by Chinese bidders. In February, the committee blocked Chinese state-backed Sino IC Fund's $580bn proposed takeover of American semi-conductor business Xcerra. Such actions are described as national security interventions, but are more likely to prevent the loss of American intellectual property to Chinese rivals.

Of course, the global stage has not been a level playing field – China, India, Japan, as well as many Middle Eastern countries, have protectionist policies set in stone, quite often not just for what can be deemed 'strategic assets'. Germany extended the 25% shareholding threshold, at which the government can intervene, to additional business sectors. It is now discussing further tightening measures.

factors may have an impact on the deal, particularly following a recent change to the Code. Since January, the Code has required bidders' offer documents explicitly to set out intentions regarding the business, employees and pension schemes of the target company.

POST-OFFER UNDERTAKINGS

"Much more quickly than was expected, this is prompting target companies to look for post-offer undertakings (POUs) from bidders," says Sagayam. "Bidders are now having to think about what undertakings they might be prepared to offer up; they should be considering this at an early stage."

To overcome challenges about their intentions following a takeover, hostile bidders sometimes use POUs, particularly where political considerations have come into play.

For example, in the £24.3bn takeover of Arm Holdings by Softbank two years ago, the Japanese investment bank promised that Arm would retain Cambridge as its global headquarters for at least five years and that it would double the company's UK headcount. Sagayam argues that January's Code changes have pushed POUs even further up the agenda for both sides during a hostile bid process.

THE PRICE IS RIGHT

In the end, however, the success of a deal will pivot on the question of what shareholders think offers the most value. "A target board that is not willing to recommend an offer can point to a wide variety of factors that it has to take into account in assessing the offer and the decision not to recommend that shareholders back it," explains Linklaters' Nick Rumsby. "But ultimately if the price is high enough, boards have an overriding duty to shareholders. It can be difficult to resist a knock-out price."

Working out what shareholders think about price will be one responsibility of the advisers on both sides, who will include investment bankers, legal advisers and public relations specialists. One source of support both sides should not overlook is the proxy advisers, who provide a crucial link between a business and its shareholders, providing intelligence on who holds the stock and how they might vote on the deal on the table.

When it comes down to it, the boards of both bidder and target return to the same question: 'what is in the interests of their shareholders?' According to Dealogic, the average premium to share price of completed US hostile takeovers has been 35%.

For those who take this point of view, a hostile bid would, like any M&A, stand or fall on the question of 'shareholder value'. ●

UK HOSTILE BIDS INCLUDING DEAL STATUS

	Completed		Pending		Rejected		Withdrawn	
Announcement date by year	**Deal value ($m)**	**No.**	**Deal value ($m)**	**No.**	**Deal value ($m)**	**No.**	**Deal value ($m)**	**No.**
2010	12,443	9	-	-	-	-	26,729	9
2011	1,143	6	-	-	640	1	5,586	5
2012	11,209	3	-	-	-	-	114	1
2013	330	2	-	-	1,643	4	15,484	3
2014	8,452	4	-	-	122,524	1	65,774	5
2015	135,304	5	-	-	55	1	430	2
2016	3,122	3	-	-	512	1	9,061	5
2017	4,254	5	-	-	45	1	157,269	5
2018 (first four months)	12,069	1	83,590	1	-	-	11,712	1

PICTURE: ALAMY
DATA SOURCE: DEALOGIC

SPOTLIGHT ON PUBLIC OFFERINGS

The window for IPOs has been open throughout Q1 2018. Grant Murgatroyd asks if it will remain ajar

Across Europe in Q1 2018 total funds raised from initial public offerings (IPOs) leapt by 172% to €12.5bn from 67 issues. This was boosted by the €3.65bn ($5.2bn) IPO of Siemens Healthineers and the €1.3bn raised by DWS Group, a carve-out from Deutsche Bank, according to PwC's *IPO Watch Europe Q1 2018*.

"Siemens and DWS were both carve-outs from larger organisations, which is something that we haven't seen for a while," explains Lucy Tarleton, who leads the IPO origination team at PwC in London. "That's a trend we expect to continue across Europe for the rest of the year. Siemens and Deutsche Bank drove the carve-outs of these operations, taking the opportunity to reorganise their respective groups to create greater shareholder value."

"The UK has a very stable regulatory environment for financial services"

Neil Glover, IPO business development director UK & Ireland, EY

London remained the top destination for IPOs in Europe by volume in Q1 2018, with 16 companies raising a total of £1.3bn, but it was still down on Q1 2017 when 20 IPOs raised £1.8bn.

In the US, 47 IPOs in Q1 2018 raised $16.3bn, the highest quarterly value since 2014. The busiest sectors were life sciences and special purpose acquisitions, which both saw 11 new listings. There were seven technology, media and telecommunication IPOs.

Most column inches were devoted to Spotify, which went for a direct listing with no capital being raised. It's price was determined by orders collected from broker-dealers. Spotify shares closed their first day of trading 26% higher than the $132 reference price set by the New York Stock Exchange, valuing the company at $26.5bn. The increase in IPO activity has come despite increased market volatility in Europe, caused by fears of rising bond yields and inflation, which wiped $4trn off share values globally. Both Siemens and DWS were priced in the middle of their ranges.

Private equity (PE) has declined in importance as a source of IPOs. There were only 10 PE-backed companies floated in Europe in Q1 2018, down from 20 in 2015. This was slightly up on the seven of last year: "PE has got more cash than it's ever had so they're holding on to assets longer and buying assets off each other," says Neil Glover, IPO business development director for UK & Ireland at EY. "Some of them have had their fingers burned on a couple of IPOs and are not experienced at delivering a successful IPO. The portfolio managers and the directors at the PE houses are reluctant to conduct a process they don't know."

LONDON'S LUSTRE

Financial services accounted for 71% of UK IPO value, though the £905m raised was significantly

ALAMY, COVER-IMAGES, GETTY, REX_SHUTTERSTOCK

$2.3bn
raised on NYSE by PagSeguro Digital Ltd's IPO

$1.8bn
value of DWS Group & Co KGaA's IPO on Deutsche Börse

MONOPOLY MONEY

European early-stage companies have been busy raising funds in cryptocurrencies – 446 have raised almost $1.8bn over the past three years through initial coin offerings (ICOs) (46% of the global total), according to Atomico.

In November 2017, the European Securities & Markets Authority warned that "investors may be unaware of the high risks that they are taking when investing in ICOs" and "firms involved in ICOs may conduct their activities without complying with relevant applicable EU legislation".

Switzerland is emerging as a centre for cryptocurrencies. But in February the Swiss Financial Market Supervisory Authority said it would regulate ICOs, to bring credibility to the sector. Cryptocurrency firm Tezos raised $232m in July 2017 and is facing multiple lawsuits, including one for securities fraud.

"We're seeing more ICOs in Europe than the UK," says EY's Neil Glover. "The UK is still very sceptical and as such it hasn't really taken over as an opportunity here yet. I am concerned about the future for companies that raise money through ICOs. The likelihood is that the regulators will come down on it quite heavily, and companies could get stuck with worthless tokens."

down on the £1.6bn of Q1 2017. Among the five largest UK IPOs were JTC (£244m), IntegraFin Holdings (£178m), Baillie Gifford US Growth Fund (£173m) and JP Morgan Multi-Asset Trust (£93m). Of the 15 London IPOs in Q1 2018, 11 outperformed the FTSE All Share.

"The UK has a very stable regulatory environment for financial services," says Glover. "The market is well understood by all the providers, such as accountants, lawyers, the market itself and investors. The big pension and investment funds in the UK are very comfortable with financial service models, and investments in the sector are a very proven path."

In March, Funding Circle appointed Bank of America Merrill Lynch, Goldman Sachs, Morgan Stanley and Numis Corp as advisers on an IPO that could value the company at between £1.5bn and £2bn. If successful, the IPO would be a significant milestone for the UK fintech sector, which raised £1.8bn of venture capital in 2017 – up 150% on a year

"We are also seeing tremendous interest from international, mainland China and Hong Kong biotech firms to list in Hong Kong, driven by the new chapter in the Main Board specifically for the sector"

Maggie Lee, head of capital markets development group, Hong Kong, KPMG China

"Siemens and DWS were both carve-outs from larger organisations"

Lucy Tarleton, leader, IPO origination team, PwC London

$10.2bn
NYSE's proceeds from 16 IPOs

$3.3bn
raised on Shanghai Stock Exchange from 17 IPOs

SOURCE: EY'S GLOBAL IPO TRENDS Q1 2018

earlier, according to Innovate Finance. Fintech entrepreneurs have expressed concern that Brexit may lead to problems recruiting talent. For example, online payments company Currencycloud planning to open a European office to counter rising recruitment costs in the UK.

ASIA RISING

Financial markets in Asia-Pacific have performed strongly this year, with Hong Kong (+37), Singapore (+23), Tokyo (+24) and Shanghai (+30) taking third to seventh place in the Global Financial Centres Index rankings. Hong Kong recorded 62 IPOs with HK$24.4bn raised in Q1 2018, according to KPMG, which elevated its forecast for the total to be raised this year to between HK$200bn-HK$250bn.

KPMG said that the introduction of a new listings regime for companies in innovative and emerging sectors such as biotech would drive additional activity. "In addition to the interest from mainland China companies that are technology or internet-related, we are also seeing tremendous interest from international, mainland China and Hong Kong biotech firms to list in Hong Kong, driven by the new chapter in the Main Board specifically for the sector," says Maggie Lee, Head of Capital Markets Development Group, Hong Kong, KPMG China.

The A-share IPO market experienced a slowdown in Q1 2018. The Shanghai and Shenzhen Stock Exchanges recorded 38 new listings for a combined RMB40bn in the quarter, compared to 134 and RMB69.6bn a year ago.

The development of regional markets is also lessening demand for dual listings, though some do still happen for companies from smaller countries. "There are very few dual listings taking place," explains Glover. "They are complex things and expensive to do. There are not many cases these days where one market cannot provide you with all your needs." ●

Clearly DEFINED

The UK government has set out changes to regulation of defined benefits schemes. **Martin Hunter** looks at the proposed changes and the potential effect on dealmaking

The UK government published its long-awaited white paper about protecting defined benefit (DB) pension schemes in March. It proposed some significant changes to the regulatory landscape, and is therefore very important for advisers, companies, investors and employees who are involved in M&A.

A DB pension scheme can significantly affect M&A activity due to the financial and regulatory risk to which it exposes the company which is supporting it. Additionally, there is the potential risk to connected parties, arising from the Pensions Regulator's 'moral hazard' powers.

PUNISHING REGIME

In its white paper the Department for Work & Pensions (DWP) proposes a much tougher Pensions Regulator, backed by a stronger set of enforcement powers. These powers include punitive fines and criminal sanctions for those who "deliberately put their pension schemes at risk". There is also the prospect of retrospective action being taken in relation to acts that took place after the date of the white paper, but before any new legislation is passed to enable such sanctions to be defined or enforced.

To help the regulator identify where its powers might reasonably be utilised, a strengthening of the existing 'notifiable events' framework is proposed. At present the regulator must be notified about certain significant acts after the event has occurred, such as an employer's decision to relinquish control or if an employer breaches banking covenant. Employers may have to notify on a wider range of actions, and potentially before any final decisions are taken. The regulator's information-gathering powers will also be improved.

The existing voluntary clearance framework, under which employers can gain assurances that the regulator will not exercise its 'moral hazard' powers in relation to any corporate events that are materially detrimental to a scheme (if appropriate mitigation has been provided), is also being reviewed. However, a previous suggestion that clearance would become mandatory in some scenarios now appears to have been dropped.

AND ANOTHER THING...

Changes are also proposed to the 'scheme funding' regime, which determines the amount of money employers are required to pay into their schemes. These include setting funding targets in the context of a long-term objective and a new mandatory requirement to comply with some or all of the regulator's code of practice on funding.

The DWP also believes that commercial consolidators may have a part to play in the DB market. This might provide employers with an opportunity to remove a DB scheme from their balance sheet at a cost, which would be materially less than the current cost of transferring the scheme to an insurer. The DWP will consult on this issue and the development of a new legislative framework and authorisations regime, which will seek to ensure such vehicles are appropriately capitalised and managed.

In its white paper, the Department for Work & Pensions proposes a much tougher Pensions Regulator, backed by a stronger set of enforcement powers

As well as the absence of a mandatory clearance regime, another notable omission from the white paper was a statutory override allowing schemes to switch their measure of inflation from retail price index to consumer price index. This would have reduced DB liabilities. Furthermore - despite the calls from the Work & Pensions Select Committee - there are no plans to provide greater flexibility to the employers that are struggling to support their DB schemes.

THE DEAL WITH M&A

The absence of a mandatory clearance process should come as a relief to the world of M&A. Enforced clearance could have significantly slowed the deal market and resulted in missed opportunities, which might have had a detrimental impact on UK Plc.

However, the fact that the DWP is considering applying new sanctions in respect of events prior to enactment on any new legislation will be a major concern in the deal market. It could also be a big issue for employers looking to get comfortable with ordinary business events, such as a refinancing of debt or a dividend payment, which could potentially have a detrimental impact on a DB scheme.

Those undertaking transactions or involved in other corporate activity that affects a DB scheme will quickly need to get up to speed with the requirements of the new regime. Getting the right specialist advice will be more important than ever in this time of transition.

IN A TIME OF UNCERTAINTY

Given the uncertainty that exists, there are sensible actions an employer can take. In our view it would probably be unreasonable for the regulator to argue that an employer was at fault, and therefore liable to be fined, if existing guidance from the regulator had been followed. A lot of relevant guidance exists. For example, funding, covenant and clearance guidance touch on most material actions relevant to a DB pension scheme. And in reality, companies do, on the whole, already seek to comply. However, during this period of uncertainty, it may be wise to document formally how that has been done, in case evidence is needed at a later date.

On the plus side, we do not think the prospect of having a more engaged and pro-active regulator will

It would be unreasonable for the regulator to argue an employer was at fault and exposed to a fine if existing guidance from the regulator had been followed

necessarily be unwelcome, particularly if it is responsive, productive and directional in its dealings with employers and trustees. In order to achieve that, the regulator will need far greater resource and more of the relevant skills in some areas than it has at its disposal at present, particularly around M&A.

CHANGE OVER TIME

It seems clear that on the whole the DWP still believes that the current system is working well for the majority of schemes. Hence, the white paper is not nearly as radical as it might have been.

There will, however, be a number of significant changes introduced over time, plus an additional risk to employers over the potential retrospective application of some of the new rules.

The DWP and the regulator will carry out a number of consultations during 2018 and 2019. The DWP expects that a new Pensions Act will be needed to bring most of the measures into force. Given that parliament is currently tied up with Brexit legislation indefinitely, it is likely to be 2019/20 at the earliest before a Pensions Bill can be introduced to parliament, meaning that any changes are unlikely to come into force before 2020/21.

While none of these changes will be introduced overnight, the clear shift in the "direction of travel" for DB policy set out in the white paper is likely to have an immediate impact on the way that trustees engage with the sponsors of their schemes. ●

Martin Hunter, principal and actuary, Xafinity Punter Southall, advising employers on DB pension schemes including in M&A situations

GETTY

Keep on building

In four decades, the Rigby Group has grown from an IT business to an investment company that has six divisions. Led by Sir Peter Rigby, how has the company gone from strength to strength?

BIGGER AND BIGGER

The Rigby Group has made 19 acquisitions for its six divisions since 2013. Technology remains the mainstay of the group – 10 businesses were acquired.

Most deal values go undisclosed (with the company being privately owned), but the sweet spot for acquisitions seems to be in the £10m-100m range. Each division has a proactive M&A strategy, and within the divisions, some businesses have specific buy-and-build strategies.

Last year Rigby Group acquired the Helen Green Design Studio for an undisclosed sum to sit alongside its top-end real estate developer, Rigby & Rigby, creating the largest design and development practice in London.

A question mark hangs over exits. "I like to build things. I don't build them to sell them," Sir Peter told the *The Telegraph* online last year. Being a family business, there is perhaps no pressing desire to change tack and stop building. But a refocus should never be ruled out.

THE SUNDAY TIMES / TOM STOCKILL / NEWS LICENSING

BUY OUT TAKE OFF

In December 2017 Rigby Group purchased Bournemouth Airport from Manchester Airports Group for an undisclosed sum – its fourth regional airport acquisition alongside Norwich, Exeter and Coventry Airports, as well as contracts to operate others.

700,000 passengers used Bournemouth in 2016. Sir Peter's son and Rigby Group COO Steve Rigby said: "The airport will benefit from the economies of scale and sharing of best practice normally only available to larger hub airports – providing job security for existing staff and opening up a range of new opportunities."

KEEPING IT IN THE FAMILY

Sir Peter has an 85% stake in the Rigby group. The remaining 15% is split between his two sons. But it's not just a shareholding. Steve Rigby is Rigby Group COO, while James Rigby is CEO of its IT services business. Both have worked throughout the business and know its operations intimately. According to Sir Peter, they are as important in formulating group strategy as he is.

HIGH FLYER

In 2002 Peter Rigby became Sir Peter Rigby, knighted in the Queen's birthday honours.

Some 43 years ago, Sir Peter founded the Rigby Group with £2,000 he'd saved up. In its last set of accounts, for the year to September 2017, its turnover was approaching £2.2bn for the first time.

Despite being a native of Liverpool, he's now a Midlander – in January 2018 the *Birmingham Post* ranked him the 12th richest.

Over the past four decades he has grown Rigby Group from an IT company to an investment company with divisions covering technology, real estate, hotels, airports, finance and aviation.

Having always had a passion for aviation, Sir Peter trained with the RAF until his father was unable continue funding his high-flying ambition.

After this, he landed a job with NCR, which sparked his interest in IT. After five years Sir Peter joined Honeywell. And in 1975 he set up Specialist Computer Recruitment – the precursor to the Rigby Group.

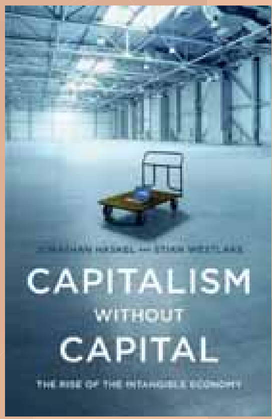
Sir Peter has chaired the Coventry and Warwickshire Local Enterprise Partnership and is trustee of several charities, including The Rigby Foundation.

The Greenway Hotel & Spa, part of Rigby's leisure arm

ALAMY

IP REVOLUTION

Could booming investment in intangible assets such as artificial intelligence represent a challenge not only to business and finance but also to the social status quo? **Shaun Beaney** reviews *Capitalism Without Capital*



Capitalism Without Capital: the rise of the intangible economy, Jonathan Haskel and Stian Westlake (Princeton, 2018)

When a House of Lords select committee published *AI in the UK: ready, willing and able?* in April, it addressed the big questions about the potential effect of artificial intelligence (AI) on society. Lord Clement-Jones CBE, who is also on the Corporate Finance Faculty's board, is chairman of the select committee.

The Lords' in-depth review of this deep technology was a good example of how legislators and governors across the world – especially in democracies – are grappling with some very difficult aspects of digital innovation.

Just how the technologies of the '4th Industrial Revolution' are transforming the world is also on the minds of many business leaders and financiers. Some go as far as to predict that these technologies will overturn the neo-liberal orthodoxy that's dominated corporate boardrooms, MBA classrooms and government offices for the past three decades.

In *Capitalism Without Capital*, Jonathan Haskel and Stian Westlake argue that intangible investment has grown enormously, and that in several countries it's already become qualitatively and quantitatively more significant than tangible investment. Such intangibles include R&D, design, processes, software, supply chains, contracts, brands, know-how, training, or even, "organisational development".

The authors have compiled significant empirical evidence to support their arguments, as well as several colourful anecdotes that show how many things that matter in economies today go beyond physical assets – "we are now trying to measure capitalism without counting all the capital".

Very much in the academic and policy mainstream, the writers' views reflect concerns and insecurities that abound in such circles. Haskel is professor of economics at Imperial College London and has been appointed to the Bank of England's Monetary Policy Committee. Westlake was a director of policy and research at think-tank Nesta and is now a special adviser to Sam Gyimah, the UK's minister for universities, science, research and innovation.

FIRST-WORLD PROBLEMS?

Perhaps the authors' boldest claim is that intangible-rich economies behave fundamentally differently from tangible-rich ones (although the reader may wonder if the most advanced economies are actually rich in both). They go on to argue that this tangible-intangible difference at least partly explains secular economic stagnation, growing social inequality, and the problematic role of the financial system in the 'real' economy.

The tangible-intangible shift also means that public equity markets undervalue knowledge-based companies, write Haskel and Westlake. Financial investors in intangible assets need more information than is available in traditional financial statements. But, by way of an alternative, venture capital is hard to scale in many industries. Meanwhile, public policy should prioritise knowledge infrastructure such as education, internet and communications, urban planning and science spending. IP regulation should also be reconsidered.

None of this is completely new: *Capitalism Without Capital* follows in the post-war tradition of ideas about the 'post-industrial' – including the information society, the knowledge economy, the rise of a creative class, and even "living on thin air", a subject covered in the influential 1999 book by Charles Leadbeater.

Some commentators go further than Haskel and Westlake in how they would redress the domination of some IP-rich multinationals. Roger McNamee, an early investor in Facebook and Google, recently argued in the *FT* that governments and regulators should look at the example of AT&T in the 1950s, and force today's digital giants to make their patents available for free – as well as compelling them to divest non-core assets.

At a corporate advisory level, tricky questions about valuing, acquiring and accounting for intangible assets are hardly new for the accountants and lawyers – described in the book as "those ubiquitous servants of financial capitalism". In fact, intangibles are often at the heart of a lot of dealmaking.

But, whether you thrive on the technical aspects of accounting, or you're more interested in technological innovation, or simply business-minded, Haskel and Westlake's "four S's" of intangibles – sunk costs, spill-over effects, scalable assets and synergies – are an intriguing way to think about public and private investment in industries of the future, all of which are increasingly including AI. ●

Lord Clement-Jones CBE will be a guest speaker at ICAEW's innovation conference, Boosting Scale-up Finance for the UK's Industrial Strategy, in London on 4 July. icaew.com/cff

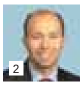
Shaun Beaney works on the Corporate Finance Faculty's public policy initiatives, including for innovation investment, high-growth companies and venture capital

APPOINTMENTS

Pauline Biddle has been appointed **Deloitte** managing partner for regional markets in the UK.

In addition to being a transaction services partner, she is also Midlands senior partner at the firm, which currently employs 6,000 staff across seven regional practices.

Biddle joined Deloitte from Arthur Andersen in 1992, where she trained as an ACA. Previously head of Deloitte's aerospace and defence group, she succeeds Richard Bell, practice senior partner for the North West and head of financial advisory.



Liz Claydon (1) has succeeded Chris Stirling as sector lead for UK life sciences at **KPMG**. A transaction services partner, she was previously UK sector head for consumer and retail, and before that held various leadership positions in deal advisory. Stirling will remain global head of life sciences until he retires in December after 37 years at KPMG.

Jonathan White (2) has been appointed head of KPMG's UK infrastructure, building and construction practice. He succeeds Richard Threlfall, who is now KPMG's global head of infrastructure.

Afsor Miah (3) has joined KPMG's deal origination team in London from Avenue Partners, where he was director. An advertising and marketing sector specialist, he spent eight years in corporate finance at BDO.

Duncan Chandler (1) has joined **Cavendish Corporate Finance** as partner to head up its financial services team. He will also lead Oaklins, the international mid-market M&A network of which Cavendish is a member. He was previously a managing director at Blenheim Chalcot, and before that he held positions at Deloitte and NM Rothschild.

Veteran corporate finance adviser Derek Zissman (2) has joined as partner to lead the firm's exit review practice. He brings more than 40 years' M&A advisory experience to the firm. He was previously vice chairman of KPMG and a founding partner of the firm's corporate finance and private equity groups in the UK and US.

Zissman was previously on the advisory board of Barclays Wealth and Investment Management, and chaired Alchemy Partners' advisory board.

Xenia Ilyasova (3) has joined the exit review team as director from Crossroads Partners. She was previously a manager at KPMG.

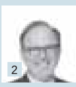
Paul Warn has been appointed UK&I private equity leader at **EY**. A partner in the firm's transaction tax team, Warn has worked for EY since 2004. He succeeds John van Rossen, who has become EY's managing partner for the EMEIA Tax Centre of Excellence.

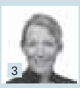
David Schwimmer will take over as chief executive of **London Stock Exchange Group** on 1 August. Schwimmer has had a 20-year career at Goldman Sachs, most recently as global head of market structure and global head of metals and mining investment banking. He has worked in New York and Russia.

LEGAL BRIEFS

Simmons & Simmons has promoted Patrick Boyd to partner in its London corporate group, and Paula Macnamara to partner in the London banking group. The firm has also promoted Céline Larmet in Paris and Jonathan Quie in Singapore to financial markets partners. And Lee Irvine has joined its Dubai office as capital markets partner from Latham & Watkins.

Addleshaw Goddard has promoted Dubai-based Lowri Llwyd and Leeds-based James Tatro to corporate partners.





Alice Yurke (1) and Michael Smith (2) have joined **Dentons** in New York as partners. Yurke has joined as capital markets partner from Alston & Bird, and Smith as corporate partner.

In Frankfurt Petra Brenner (3) has been recruited as partner from corporate finance advisory firm One Square, as has counsel Verena Etzel (4), who has just completed an executive MBA at the University of St Gallen. Etzel previously worked at Clifford Chance, Linklaters and Willkie Farr & Gallagher.

Banking regulatory and structured finance expert, Michael Huertas (5), has joined as partner.

In Melbourne Andrew Chan (6) has joined the corporate team as partner.

Fieldfisher has opened a Frankfurt office to focus initially on the financial services sector, with special regard to digital business models. Partner Rüdiger Litten, a debt capital markets and finance regulatory lawyer who has joined from Norton Rose, will head the team up.

Berwin Leighton Paisner has recruited Bernd Geier to partner in its financial regulation practice in Frankfurt from Dentons, where he led the German financial regulation and funds practice. He began his career at Linklaters in 2007, before joining Allen & Overy, then Dentons.

He succeeds Xavier Rolet, who left last year after eight years at the helm. Interim CEO David Warren will return to his role of CFO.


Dave Hilton has been promoted to corporate finance partner at **Mazars** in Manchester. He joined the firm in 2010 from Chadwick, where he trained as an ACA.

Dr Ian Campbell has been appointed as interim executive chair of **Innovate UK**, the innovation agency that has just been made part of the newly formed UK Research and Innovation succeeding Dr Ruth McKernan, who is stepping down after three years.


Mark Challis has joined **Santander** in the UK as director in its financial sponsors team from RBS. He previously worked for EY and Grant Thornton.

Citigroup's current head of UK M&A, Simon Lindsay, has been appointed as director general at the **Takeover Panel**, effective from 2 July. Lindsay will replace Crispin Wright. He previously worked for Credit Suisse First Boston, and in 1997 joined Schroders, which was acquired by Citigroup in 2000. He has been involved in many recent high-profile transactions, including the $1.2bn sale of Jimmy Choo to Michael Kors and the $90bn merger of Glencore and Xstrata.

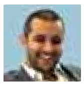

Debbie Clarke has joined **Park Capital Corporate Finance** as consultant corporate finance adviser. With more than 20 years' corporate finance experience, she was previously head of M&A at Moore Stephens. She started her career in investment banking with James Capel before moving to Mazars and then Chantrey Vellacott.

She is currently a non-executive director for the Chartered Institute of Securities and Investments.


Regulatory consultancy **Bovill** has recruited cyber security regulation expert David Copland as managing consultant. He previously worked at Man Investments.


Nathaniel Robinson has been appointed global chief investment officer at **Cushman & Wakefield**. He joined the firm in 2016 from Virgo Capital where he was investment partner. Prior to that, he worked in Morgan Stanley's global technology group advising on M&A.


Ian Barton has joined **Quantuma** as corporate finance partner from HMT. He spent 20 years with Deloitte in Manchester, London and the Thames Valley. At Quantuma, he will be based at the firm's Southampton office.


Price Bailey has promoted Chand Chudasama to director in its strategic corporate finance team. He joined in 2013 from KPMG.


Curt Kahn has joined **LivingBridge**'s recently opened Boston office, from the ABILITY Network, where he was corporate development VP, managing M&A and strategic partnerships for the healthcare business. He worked in M&A advisory for PwC between 2008 and 2014, and prior to that at Booz Allen Hamilton. He joins Rebecca Hooley, who moved from London to open the Boston office.


DC Advisory has promoted Carsten Burger to managing director in the firm's Frankfurt office. Carsten joined DC in 2006 from Contrium Consulting.

In London Martin Krastev, Phillip Hyman, Sebastian Daumueller, James Pople, James Nichols, Amish Bakhai and Endong Zhai have been promoted to executive director.




Gibson, Dunn & Crutcher has promoted Hardeep Plahe (1) to partner in charge of the firm's Dubai office. A cross-border transactional corporate partner, he succeeds Paul Harter, who will continue working in the corporate practice. In Hong Kong, John Fadely (2) and Albert Cho (3) have joined as partners in the investment funds group from Weil, Gotshal & Manges.


Graeme Bell has joined **DAC Beachcroft** as partner in the corporate team in London. He was previously head of the London office for Mason Hayes & Curran. Prior to that, he worked at Ashurst and Akin Gump Strauss Hauer and Feld in London and New York.

Capital Law has appointed private equity specialist David Williams as non-executive director.

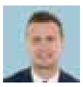
RESTRUCTURING UPDATES


Steve Absolom has been promoted to partner in **KPMG**'s UK restructuring practice. He joined in 1993.

There have also been 10 promotions to director across the firm's UK restructuring practice. Sarah Collins, Jacqui Kerr, Nathan McCarthy, Paul Berkovi, Nick Holloway, Helen Seaman and Luke Wiseman in London and the South; Tim Bateson in the Midlands; Tim Sloggett in Bristol; and Neil Morley in the North.

And 13 others have been promoted to associate director, as well as six to manager.


Jon Slatkin has joined **EY** as partner in its restructuring practice from KPMG. He was formerly CEO of Titan Outdoor and a director of AlixPartners.


RSM has recruited Frazer Ulrick from Begbies Traynor as associate director in its restructuring practice in Hull. He previously worked for PwC, having started his career at RSM in 2003.

James Cowper Kreston has promoted Tom Russell to business recovery and insolvency director. He is a qualified insolvency practitioner.

Ross Welham has been promoted to senior manager in **Price Bailey**'s insolvency and recovery team.

THE CV

Pierre Vinci is the head of UK origination for the international and corporate team at ABN AMRO Commercial Finance. The team provides asset based funding across Europe to sponsors. He joined ABN AMRO in 2016 from GE Capital. Prior to that he spent five years as a senior strategy consultant at Accenture.

Recent deals

- £12m cross-border receivables facility to European recruitment company, Staffgroup.
- £25m receivables facility to Russell Taylor, a technical recruitment company and training provider.

POLISHED METAL

Funding the acquisition of CovPress from the administrator saved jobs and created opportunities, says **Pierre Vinci** of ABN AMRO Commercial Finance

WHAT WAS THE DEAL?
Liberty Industries' acquisition of CovPress from its administrator, Grant Thornton. CovPress is a tier 1 supplier to the automotive sector - it's a metal stamping and robotic assembly specialist with facilities in the West Midlands. As part of the acquisition finance package, ABN AMRO Commercial Finance provided a £19m asset-based lending (ABL) facility.

WHAT IS LIBERTY?
Liberty Industries is part of Liberty House Group, a metals and industrial group headquartered in London, with operations in more than 30 countries across the globe. Established by Sanjeev Gupta in 1992, the group has grown rapidly by organic growth coupled with acquisitions over the past 10 years.

WHAT WERE THE TIMESCALES?
Grant Thornton, as the administrator, started the sale process in the final quarter of 2016. CovPress attracted a lot of interest from potential private equity investors and trade buyers. Liberty successfully completed the deal in early 2017. The acquisition complemented the group's rapidly expanding presence in the UK. We completed the deal within seven weeks of Liberty getting exclusivity.

HOW WAS IT STRUCTURED?
The £19m ABL facility included a receivables funding solution, and a leasing facility based on the firm's plant and equipment, which had recently been upgraded with the latest machinery. We looked at the machinery and took a view about the fair market value and the net orderly liquidation value (NOLV) – the total value of the assets being sold in an orderly way to liquidate the value of the business – and provided a loan amount between these two valuations rather than the typical 85% of NOLV advance.

HOW WERE YOU INTRODUCED TO THE DEAL?
We'd approached Liberty directly as a result of our dealings with the previous management team. Dr Douglas Dawson became CEO of Liberty in 2015.

WHO WERE THE ADVISERS?
Grant Thornton was the administrator appointed to the business and Irwin Mitchell acted as our legal advisers.

WHAT WERE THE CHALLENGES?
Completing a deal within such a short timeframe, with Christmas and New Year in between, was the main challenge. Our commitment enabled us to support the acquisition and execute the facility in a matter of weeks.

AND THE BENEFITS?
We were able to provide a flexible finance solution to fund Liberty's growth ambitions for the business. The acquisition also saved more than 700 jobs and prevented the company's pension scheme passing on to the UK's Pension Protection Fund – at the time this was a first for a business in administration.

WHAT LESSONS WERE LEARNED?
The key is to understand the sector or segment where the company operates, and focus on the future, rather than the business's past. We developed a relationship with the new acquirer, got to know the new management team and understood the strategy for the future. Getting there quickly was key to this deal. ●

PHOTOGRAPHY: DAVID HARRISON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M&A IN IRELAND
LONDON: $502M ACQUISITION OF IMPROBABLE
DREAMS
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GLOBAL TECH M&A IS TAKING A HIT FROM US PROTECTIONISM
DE-RISKING DEALS
NEW SERIES BEGINS WITH HOW TO UTILISE W&I INSURANCE