

# CORPORATE FINANCIER

"THE PRIVATE PLACEMENT MARKET IN EUROPE IS OPENING UP TO SMES" PAGE 29

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# Danish ding dong



**CORPORATE  
FINANCE  
FACULTY**

It was a case of life imitating art imitating life when a flag with the image of a vampire squid was draped over a statue of a former King of Denmark outside the parliament building in Copenhagen in January.



The story could have been lifted straight from the Danish political TV drama, *Borgen* (or 'castle'), where various plotlines try to test the coalition government, held together by a female prime minister.

The vampire squid itself is an image for Goldman Sachs created by satirist/journalist Matt Taibbi, and vigorously adopted by the Occupy Wall Street campaign. So why is it appearing in Denmark? The real-life fragile Danish coalition government, led by Helle Thorning-Schmidt (who recently found fame for the selfie taken at Nelson Mandela's public memorial service with David Cameron and Barack Obama), agreed to sell a 19% stake in Dong Energy to the bank for \$1.45bn, inviting the wrath of the wider Danish public. In the end, Goldman got its stake, but the coalition broke up straight after and Thorning-Schmidt limps on in power.

The challenges to M&A and investment can come from many areas. In this month's cover story (pages 18-23), David Prosser looks at shareholder activism, and the impact it can have on M&A. Activism is on the rise, and as we see it is becoming less about seeking board change – it can drive M&A. But it can also scupper it, which would be more akin to another dark Danish TV drama – *The Killing*.

In the last issue, the faculty launched its new themes – investing in growth, creating new opportunities and developing professional expertise. This month, Vicky Meek looks at private placements, which is a \$50bn market in the US. And last year some \$16.9bn of that \$50bn was raised by European businesses. There are UK investors in this market, and some big US private placement players are opening up in the UK. There is definitely an opportunity here for the UK to invest in developing expertise on this side of the pond, and at the same time tick another box – to provide the capital for investing in growth.

**Marc Mullen**  
Editor

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# Faculty news

## INCENTIVES TO JOIN US

Corporate finance skills are invaluable to companies, investors and advisers looking to grow and develop professional expertise. That's why the Corporate Finance Faculty is highlighting these skills as part of this year's drive for new members.

Lorraine Sinclair, services manager, said that the faculty's forthcoming programme will include best-practice publications on acquiring a business, IP aspects of M&A, SME finance, and the future of private equity, plus forums on new sources of equity finance, takeover trends, new approaches to IPOs and ensuring cyber security in deals.

To join or renew for 2014, go to [icaew.com/cff](http://icaew.com/cff) or call **+44(0)20 7920 8685** or email [cff@icaew.com](mailto:cff@icaew.com)



## FACULTY AGM AND ELECTIONS 2014

Corporate Finance Faculty members are invited to the annual general meeting at midday on Thursday 22 May 2014 at Chartered Accountants' Hall in London.

This is an opportunity to hear about policy and practical initiatives.

Notice is also given that elections will be held in 2014 for five seats on the Corporate Finance Faculty Board. Nominations for these elections must be received by David Petrie, head of the faculty, by midday on 21 March 2014. Polling day will be 9 April 2014.

Call **+44 (0)20 7920 8440** or email [georgina.tanner@icaew.com](mailto:georgina.tanner@icaew.com) for a form or to register attendance.

## GET SET FOR CF DIPLOMA

ICAEW, the Chartered Institute of Securities & Investment (CISI) and training company BPP have announced exam dates and deadlines for the Diploma in Corporate Finance 2014.

ICAEW has also reopened the 'Experience Route' to the Corporate Finance qualification and 'CF' designation. In addition, those studying for the diploma now have a distance-learning option, as well as the traditional classroom-based approach. This new self-study option is supported with hard-copy learning materials, online regulatory materials and individual mock marking.

The study route (achieved by the winners of last year's CF Diploma prize, Steve Wagner and Iain Murrell, pictured below) can be achieved within a year and includes two highly practical, transaction-based programmes devised to help those executing corporate finance deals as company directors, advisers or investors:

- **Paper 1** – Corporate Finance Techniques & Theory
- **Paper 2** – Corporate Finance Strategy & Advice

For the **23 June 2014** sitting of the exams, UK candidates must register by **6 May**, non-UK candidates by **7 April**. The deadlines for the **2 December** sittings are **13 October** (UK) and **22 September** (non-UK). The deadline for applying for the experience route to the 'CF' designation is **3 October**.

David Petrie, ICAEW head of corporate finance, said: "Firms have been quick to recognise the value of offering the diploma."

For details visit [icaew.com/cfq](http://icaew.com/cfq)



## CF KNOW-HOW FOR NGOS

An unusual conference organised by the conservation body WWF last month brought together the Corporate Finance Faculty and the non-governmental (NGO) sector. David Petrie, ICAEW's head of corporate finance, spoke at a one-day conference, hosted by WWF, on successful exit strategies from environment and development projects. The discussion covered how corporate finance techniques could be utilised by NGOs looking to withdraw from

programmes and how to assess the scope for attracting private capital, joint venture partners or social investment.

The event, at the Living Planet Centre in Woking, also included speakers from Oxfam, the Royal Society for the Protection of Birds and Flora & Fauna International.

To find out more, contact Dave Burges, regional manager for transformations at WWF, on **+44 (0)1483 412 424** or [dburges@wwf.org.uk](mailto:dburges@wwf.org.uk)





# Briefing

## INCREASED DEALS FORECAST

Intralinks' latest *Dealflow Indicator* points to a recovery in global M&A activity in H1 2014. This was reflected in a recent surge in the value of announced global deals. In the first few weeks of January there was more than \$130bn globally compared with \$122bn for the whole of January 2013.

Intralinks' poll of more than 1,900 people revealed 64% were optimistic about 2014, and 73% predicted increased M&A activity over the next six months.

"While the start of 2013 was overshadowed with potential crises, none of the worst-case scenarios materialised and global markets performed strongly. The volume of deals is still increasing," said Matt Porzio, vice president M&A strategy and product marketing at Intralinks.

Towers Watson also revealed predictions: Europe would rebound from its poor 2013 showing, North America would increase M&A domination, outbound Chinese deals would increase and the mega-merger would stage a comeback.

"The worst-case scenarios didn't materialise and global markets performed strongly"

**Matt Porzio,**  
vice president,  
Intralinks



## M&A PICKS UP MOMENTUM IN 2014

Corporates will be on the acquisition trail in 2014, according to KPMG's latest *Global M&A Predictor*. KPMG's bi-annual research reveals that predicted forward price-per-earnings ratios were 16% higher in December 2013 than 12 months previously, and 17% up on June.

Market capitalisations also rose by 19% between December 2012 and December 2013, reflecting increasing growth expectations of investors; expectations unlikely to be delivered by organic growth alone.

### PRESSURE INTENSIFIES

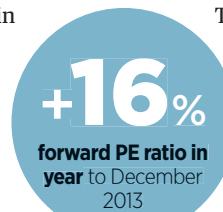
"The growing appetite for deals and an increase in pressure to transact are two sides of the same coin," said Tom Franks, global head of corporate finance at KPMG. "As deal capacity continues to rise and global markets maintain some stability, the pressure on

cash-rich corporates to start deal-making again is going to intensify."

### CHANGE IN FORTUNE?

Transaction levels are yet to catch up. But Franks points to the "red hot IPO market" in the UK and the US as an early indicator of the uptick: "It will be interesting to see whether a change in fortune for the wider M&A market does indeed start to gain momentum over the coming months."

And KPMG corporate finance partner Jonathan Boyers added: "With an average four to six month lead-time for deals, it will take a while for this burgeoning confidence to feed through to completions. The true barometer of whether or not the M&A market is back will not be seen until the second half of 2014 at the earliest."



## IS RESTRUCTURING MARKET COOLING?

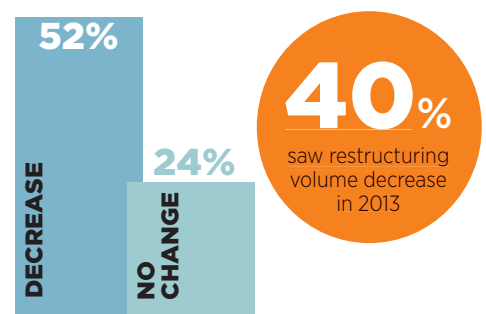
Three quarters of UK banking institutions, asset-based lenders and alternative lenders expect to see no change (24%) or a drop (52%) in restructuring activity in 2014, according to Deloitte. This follows a quieter 2013, when 40% of respondents saw the restructuring volume decrease, despite having anticipated the opposite.

Nick Edwards, head of restructuring at Deloitte, said: "Expectations of increases in restructuring activity did not materialise in 2013, as larger companies were able to refinance and the UK economy picked up. UK banks have been strengthening their balance sheets through deleveraging non-core and non-performing loan portfolios, while investor appetite for opportunities has been pushing up prices and increasing deal flow."

Edwards warned that businesses with greater working capital requirements could

hit difficulties: "Refinancing and 'amend & extends' give corporates more time to resolve their operational difficulties, where they are not beset by poor trading and unsustainable debt levels. Our survey noted a reluctance to address operational challenges at the same time as dealing with a financial restructure."

### 2014 FORECASTS FOR CHANGE IN UK RESTRUCTURING ACTIVITY



# A GUIDING LIGHT

Promoting excellent professional standards is a major part of the Corporate Finance Faculty's work. To help its members keep up their high standards, the faculty has drawn up its own set of guiding principles

**T**he Corporate Finance Faculty expects all members to uphold the highest standards of professional conduct and business ethics. While many faculty members are already bound by codes of conduct or ethics of a professional or regulatory body, such as ICAEW, the Financial Conduct Authority (FCA) or the Law Society, the board has established a set of guiding principles, based on ICAEW's Code of Ethics.

## THE GUIDING PRINCIPLES

### Integrity

Be straightforward and honest in all professional and business relationships.

### Objectivity

Don't allow bias, conflict of interest or undue influence of others to override professional or business judgements.

### Professional competence and due care

Maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques. Act diligently and in accordance with applicable technical and professional standards.

### Confidentiality

Respect the confidentiality of information acquired as a result of professional and business relationships. Don't disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose. Don't use the information for the personal advantage of the member or third parties.

### Professional behaviour

Comply with relevant laws and regulations. ■

## VIEW FROM THE BOARD

### Nigel Crockford

"The faculty sees the need for a simple statement of the guiding principles of professional conduct, which underpin our beliefs and ethics, and our behaviour. We needed a statement that we can all relate to and follow. A lengthy and detailed code of conduct would not be helpful, as it would have to cover such a wide range of services and circumstances, and would never be read.

"Our guiding principles should be easily understandable to members and clients alike. The principles should raise the bar in terms of behaviour and quality of service, and also raise the status of our members.

"We believe that in just five principles these guidelines provide a basis for excellence for corporate financiers worldwide."



**Consultant and member of the Corporate Finance Faculty board**

### Giles Derry

"I think it is very helpful that the faculty has provided some clarity about the standards of professional conduct expected of its members. This will hopefully help ensure that corporate finance continues to be a profession where excellence and high standards of integrity are the bywords for conduct. Like the best British systems, guiding principles are not rule-based, but principle-based. That means the rules are not too detailed nor prescriptive, something which can lead to their being circumvented."



**Dunedin partner and chairman of the Corporate Finance Faculty**

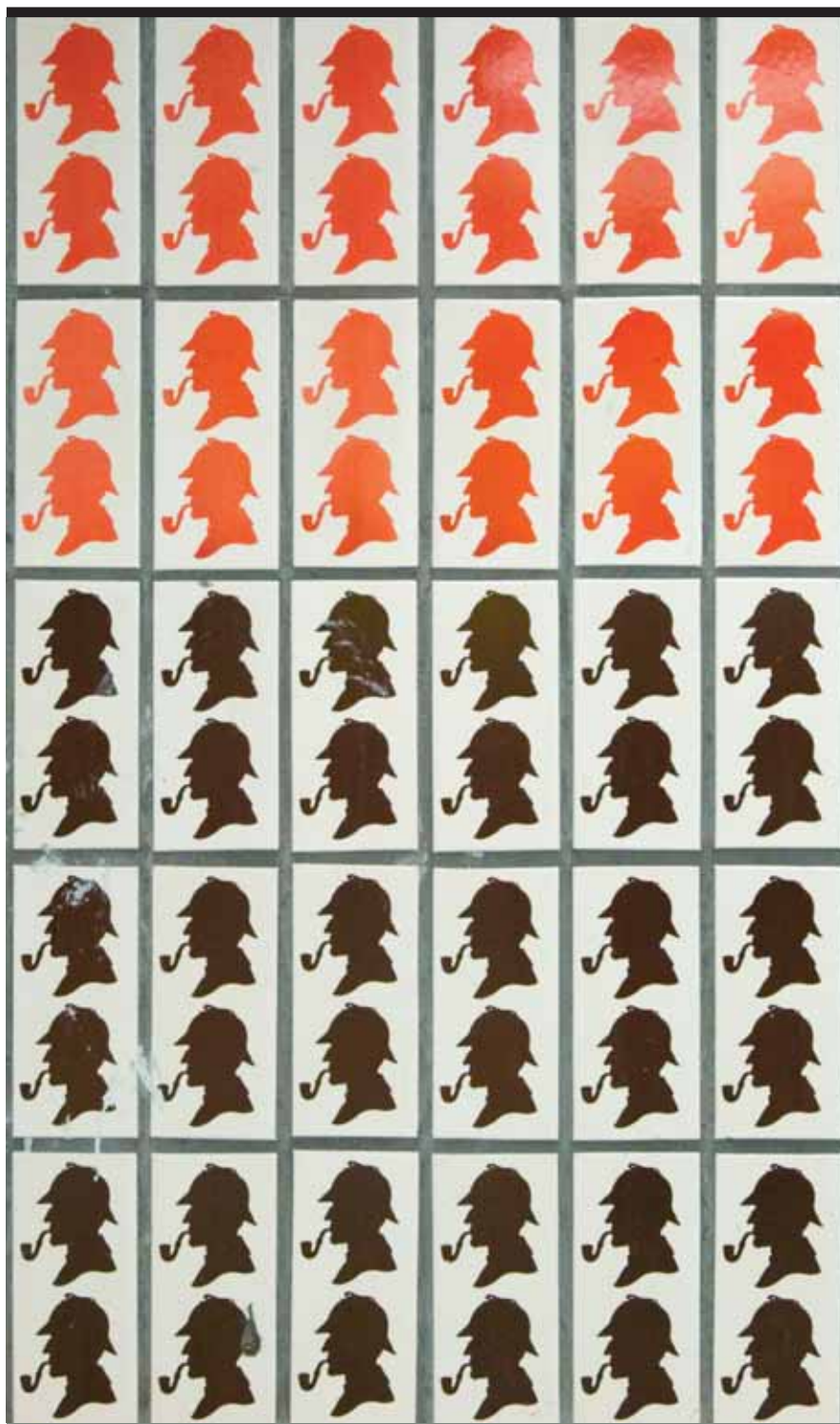
### David Collins

"Since the beginning of the financial crisis, there has been a lot of criticism levelled at banks and a variety of other financial institutions, as well as at the behaviour of bankers and corporate financiers.

"Against that backdrop, but also in recognition that the faculty now embraces a far broader church in terms of its constituency, the faculty's board felt that it would be appropriate to publish a set of guiding principles, which are readily applicable across the entire spectrum of the faculty membership, and which reflect the standards of business ethics and professional conduct the faculty expects from its members."



**Corporate partner at Berwin Leighton Paisner and member of the Corporate Finance Faculty board**



# Super sleuthing

Longer, in-depth due diligence processes will boost M&A success, according to research by Cass Business School. Jason Sinclair gets the advisers' views

**S**herlock Holmes, 19th century fictional detective turned man of our times by the BBC, may have been keen on elementary solutions, but that did equate to speedy but rough due diligence. He once philosophised to his partner Watson: "It is a capital mistake to theorise before one has data."

The M&A Research Centre at Cass Business School, along with virtual data room provider Intralinks, has published a report on pre-announcement M&A activity and its effect on deal outcomes. In simple terms, the study found that longer due diligence resulted in a higher statistical likelihood of deal success and a reduction in the takeover premium, benefitting the buyer. Improved 'total shareholder returns' is probably the intuitive result, but that is now validated through hard data.

Professor Scott Moeller, director of the M&A Research Centre and co-author of the report, says: "Conventional wisdom is the more that you do, and the more planning you do, the more likely you'll get a better deal. The study was interesting in that we got [previously] unavailable data and could analyse it. Previous literature is all about announcement time data, but here we got all sorts of pre-announcement information."

## ON THE POSITIVE

Moeller and his co-author Anna Faelten, deputy director at the centre, noted that there is less chance of due diligence uncovering any "pleasant surprises". And anything negative a buyer finds is not going to raise the price. They suggest the message to finance professionals is: "Focus on due diligence and don't short-circuit the process. It's a benefit-accruing process. People have been saying this all along but now data backs it up, and this is not a quick and dirty study, it was a five-month project."

Andy Cox, UK head of transaction services at KPMG, says that while "none of the results were surprising", he would distinguish between the length of due diligence, as studied by the report, and its quality.

"Sometimes, particularly in a public bid, the amount of available information and the timeframe is limited," says Cox. "But, properly advised, you can do an awful lot of work in a very short space of time. It's about focusing on what matters and having sector knowledge, not necessarily whether you have a great deal of time."



Cox continues: “There’s an intense scrutiny on value drivers. Six or seven years ago, corporates were thinking a lot about how private equity approaches due diligence, but now that has all been taken on board.”

David Evans, head of London transaction services at Deloitte, had a similar reaction to the report: “The basic premise I would probably agree with, but some of what we see working in the European markets the report didn’t recognise.”

Evans says that the report’s global outlook meant that some UK- and European-specific issues were missed. He also echoes Cox’s view that corporates have learned from private equity and recognise that to have a successful process, preparation is key.

There are situations where both sides of the deal can benefit from quick disposal. “There’s been the emergence of vendor assist, where the seller gets a third party to look at the numbers to protect against a drawn-out diligence process,” says Evans. “We’ve just carried out a big disposal of a Nordic firm to a US corporate where the buyer had very detailed information requirements that had been anticipated by the sellers. We were therefore able to get the transaction through its internal processes and approvals far quicker than if the upfront investment by the seller had not been made. Sellers have also learned to be less aggressive in the forecasts presented to buyers; they have learned that with more drawn-out processes you are instantly on the back foot if current trading in the diligence phase is already lagging the forecast on which the business is being sold.”

Another issue is how disruptive a major disposal can be to certain businesses – suppliers and customers may put things on indefinite hold. Completion deadlines are necessary to avoid the temptation to

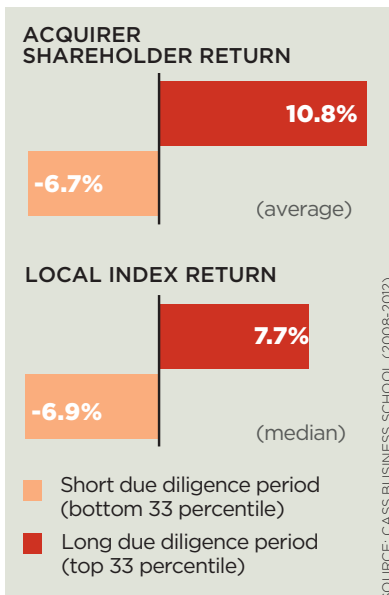
“Focus on due diligence and don’t short-circuit the process. People have been saying this all along, but now data backs it up”

**Anna Faelten**, deputy director,  
M&A Research Centre, Cass  
Business School



“Six or seven years ago, corporates were thinking a lot about how private equity approaches due diligence. That has all been taken on board”

**Andy Cox**, UK head  
of transaction  
services, KPMG



#### BEHIND THE RESEARCH

The report used a data set of 519 transactions along with 30 interviews with M&A professionals. On the methodology, Philip Whitcelo (below) of Intralinks says that the report’s findings were based upon meta-data.

He added: “We wanted to provide unique insights to our customers and we’ve had a really interesting response. We were not pre-supposing or expecting anything, so for us it was as fascinating as for anyone else. We have taken our findings to a couple of conferences and haven’t been able to get people to stop asking questions: it directly impacts the advice and discussions they’re having with their clients.”



“just be open-ended and keep asking more and more questions”, says Evans. As the report notes “too much due diligence can offend a target to the point where they walk away from the deal”.

#### TAIL-WAGGING DOG?

The report quotes one corporate lawyer: “When there are several bidders, the seller has the upper hand. This puts pressure on the buyers who may be willing to end the due diligence process without completing it to seal the deal. This is true for most deals where there is competitive bidding. There are not many buyers that would withdraw from a deal simply because their due diligence requirements have not been met.”

And a managing director at a UK accountancy firm adds that this is more likely to be the case for strategic buyers: “When the bidder is buying for financial reasons, due diligence is unlikely to be rushed. But when the buyer is buying for strategic gains, the buyer may rush the due diligence process and might not worry about investigating some areas.”

“One recent observation, not captured by the study,” adds Evans, “is that there’s been quite an appetite in the past six months for buyers to try to pre-empt formal diligence processes with knock-out offers, which reduces the diligence rather than increases it. Although this has been mainly private equity buyers, we’ve also now seen corporates use this tactic where they want the asset but don’t want to get involved in a drawn-out auction process. This type of behaviour may become more common for high-quality assets given a return in corporate confidence combined with strong balance sheets and favourable debt markets. It can be in everyone’s interests to make the process on some deals faster, even the buyer.”

Among the report’s other findings were that due diligence was likely to be completed more quickly on public companies and larger targets. It also points out that most leaks in the M&A process are likely to be intentional and correspond to the public announcement of a deal.

Sherlock Holmes was all too aware of verifying the quality of the due diligence: “Having gathered these facts, Watson, I smoked several pipes over them, trying to separate those which were crucial from others which were merely incidental.” ■

Download the report from [bit.ly/1iRI8AP](http://bit.ly/1iRI8AP)

# Coming of age

Last year infrastructure fundraising hit the highest level globally for five years. **Shawn D'Aguiar** discusses the prospects for a maturing asset category

**N**early \$38bn was raised worldwide in 2013 by unlisted infrastructure investment funds (according to Preqin) - the highest amount since 2008. With only 47 funds closing, (the lowest since 2009), fundraising was concentrated in fewer, but bigger funds, the largest of which was Brookfield Asset Management's \$7bn Infrastructure Fund II.

Compared to private equity or venture capital, infrastructure is a relatively young asset class. It is most mature in Australia and Canada. Europe is however slightly ahead of the average, the US behind.

## A BROAD CHURCH

The first thing to say about infrastructure from an investor's perspective is that it is a broad asset class. In one group there is 'core infrastructure' such as airports, bridges, roads, railways and oil and gas terminals. Then there is social infrastructure - schools, hospitals, etc. But are you building it or operating it? If it is built and you are operating it, can you improve the asset and take it to the next level? Is it being done as a PPP/PFI structure or is it purely a private commercial project? Then there is the question of whether you invest debt or equity. With innovation in infrastructure funding, you have to consider the different aspects of infrastructure.

Funds remain the most popular way of infrastructure investing, of which unlisted funds are the most

common, followed by direct investment. There is then the innovation in the market, which comes largely in the form of managed accounts, pledge funds, co-investment pools and funds, and joint venture arrangements.

**Managed accounts** are the key area of innovation when it comes to infrastructure investment approaches. There is the choice of discretionary managed accounts; where the investor commits and the manager manages; advisory, where the investor decides on investments with the adviser's input; and the third option, which is quasi-discretionary and is something of a halfway house. The discretionary and non-discretionary route is where we are seeing most activity from infrastructure investors. Managed accounts are very bespoke and vary by investor, based on what they need and what they are looking for. Managed accounts were popular for private equity investors 10 or 15 years ago, but we are now seeing far more among infrastructure investors.

**A pledge fund** is a private equity investment fund where investors give a loose commitment of capital to an investment team, and provide capital on a deal-by deal basis. They are most appropriate for first-time managers and we are certainly seeing more interest in these. However, there are challenges in these, not least the fact that it is a pledge. Heads of terms, for instance, can be agreed, but the investor(s) may not invest or invest

the full amount and the investment cannot go ahead as planned until the full amount is on board. Clearly that creates uncertainty and other practical issues.

**Deal-by-deal co-investment pools** can sit alongside a fund. They may be useful as a stopgap arrangement or serve to top up investment from the fund. They may also be suitable when a project is best suited to specific investors. And from the investors' points of view they can see the deal they are investing in rather than doing so through a blind pool. They have a bit more visibility and can build in on-going controls, such as an observer seat, veto rights or a seat on the board.

The downside is that if the manager is to manage on behalf of the investor, the investor has to be comfortable that they are in there for the investment period, be that five, 10 or 15 years. Key man protection is clearly difficult, but having the house, for instance, put some co-investment alongside can help ensure they remain focused regardless of key personnel.

**Deal-by-deal co-investment club arrangements** are generally a little looser. The investors can be completely separate to the fund or anyone in the fund. We are seeing more of these too. The beauty here is that it allows a new investor to see how the house/fund operates, get knowledge of a market/jurisdiction and build a stronger relationship with the fund manager, perhaps ahead of a fundraising.



**Joint ventures**, which are not rocket science. Two GPs bring a different value-add to a deal and so come to a one-on-one arrangement. These are where perhaps there is specific value-add or there isn't the needed firepower available with just one, including due to diversification requirements.

Investors also look to have a regional or a global mandate. Last year more than half of the capital raised went to funds with global mandates. The last time more than half the capital raised was focused globally was in 2008.

It is estimated that there are 145 managers on the road, looking to raise about \$90bn for infrastructure investment. The big question then is how do you differentiate yourself from the crowd. For those based on a global mandate, it is on the expertise of the house in a specific type of infrastructure, or the expertise that the team has across different types of

infrastructure at a similar stage. Some have a particular regional or country story to tell, and still may well be in a specific area of infrastructure, say education or healthcare, in a particular jurisdiction.

In Europe there is often a combination of greenfield and brownfield opportunities. In the US the focus is largely brownfield, although there is a big desire for infrastructure investment in the US. But in emerging markets there tends to be more greenfield, and investors look for private equity-like terms and returns.

When it comes to fees, because there is so much differentiation, there is little market standardisation. But I see a market standard being established as the infrastructure market becomes more mature - valuation and reporting guidelines will help in this.

The other change I predict is increased preference for a regulated

entity somewhere in the fund structure overall - when dealing with governments rather than private enterprises that can clearly add comfort.

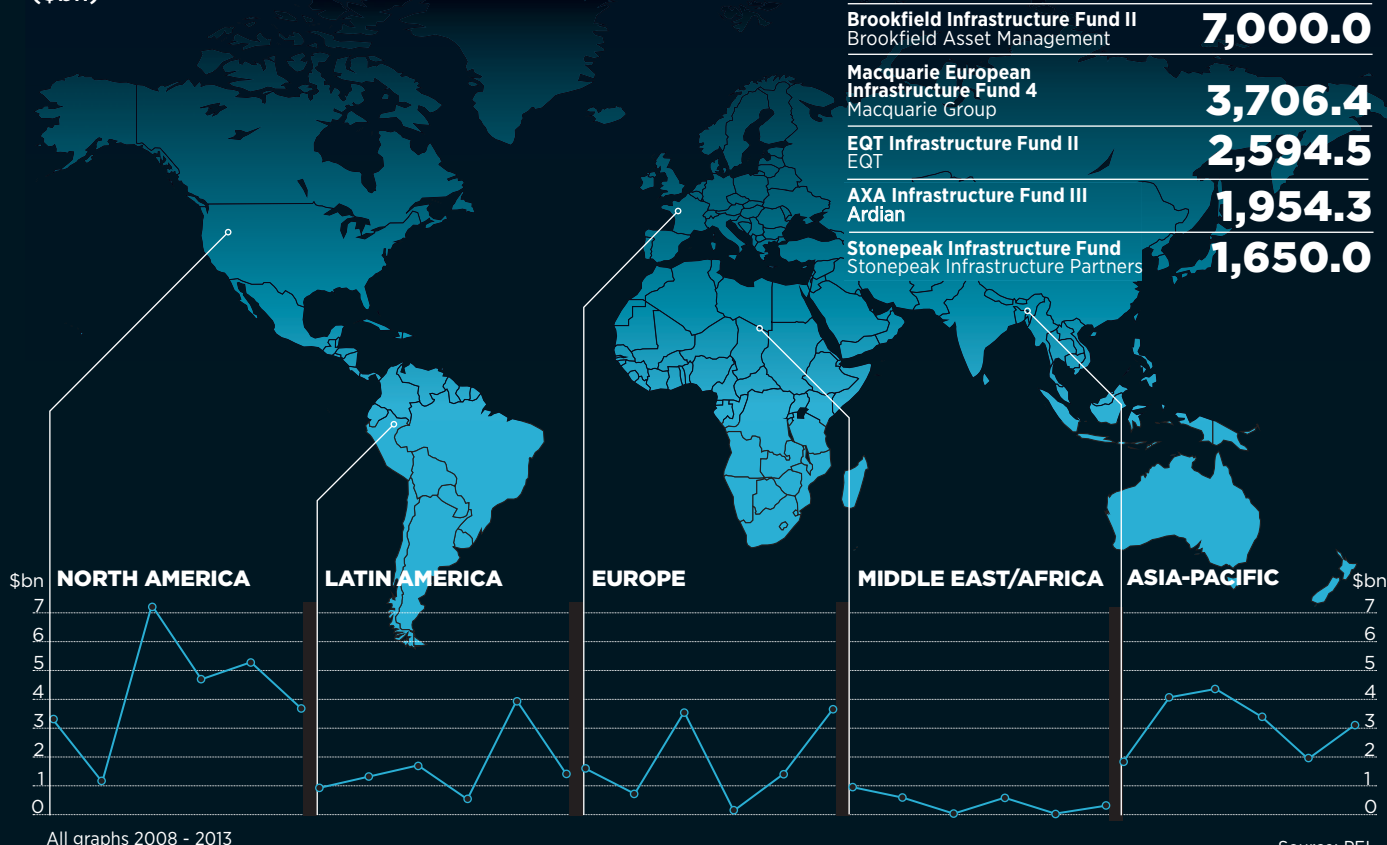
There is a global need for infrastructure investment of \$40trn through to 2035. Asian investors are allocating more capital to this asset class. And the infrastructure debt market is picking up.

The beauty of infrastructure is that it is quasi-monopolistic - ultimately it is an asset people will need to use. You can reasonably get double-digit returns on equity, and it has a lower risk profile than private equity. For the investor, it ticks a lot of different boxes. ■



Shawn D'Aguiar is a partner at King & Wood Mallesons SJ Berwin. [Shawn.D'Aguiar@eu.kwm.com](mailto:Shawn.D'Aguiar@eu.kwm.com)

#### AGGREGATE CAPITAL RAISED 2008-2013 (\$bn)



All graphs 2008 - 2013

Source: PEI

#### TOP 5 UNLISTED INFRASTRUCTURE FUND CLOSINGS IN 2013 (US\$M)

Brookfield Infrastructure Fund II Brookfield Asset Management	7,000.0
Macquarie European Infrastructure Fund 4 Macquarie Group	3,706.4
EQT Infrastructure Fund II EQT	2,594.5
AXA Infrastructure Fund III Ardian	1,954.3
Stonepeak Infrastructure Fund Stonepeak Infrastructure Partners	1,650.0



# Virtual opportunity

As a popular hub for global corporate transactions, the UK generates a vast quantity of sensitive electronic data. So how is the City taking the lead in the war on cybercrime? Stephen Pritchard finds out



**I**n the past decade there has been a great leap forward in the use of IT. But the cost of electronic or cybercrime has risen steadily in recent years. Individuals, governments and businesses are the targets. And increasingly, organised crime is involved, targeting high-value financial transactions. Sir Iain Lobban, director of British intelligence gathering facility GCHQ, says the UK needs to face up to the threat of “industrial espionage on an industrial scale”.

One government estimate suggests cybercrime costs the UK £27bn a year – a pretty significant sum. However the UK remains one of the safest places to do business – especially to carry out corporate finance transactions.

It is against that backdrop that ICAEW’s Corporate Finance Faculty, along with the Cabinet Office, leading professional bodies including the CBI, the BVCA, the Takeover Panel, the Association for Financial Markets in Europe (AFME), London Stock Exchange and the Law Society, together

with leading accountancy and law firms, has drafted new guidance. In January, the faculty launched *Cyber-Security in Corporate Finance*, a guideline setting out best practice for all organisations involved in corporate finance transactions.

“Well thought-through security is critical to ensure information stays in the right hands,” says David Petrie, head of ICAEW’s Corporate Finance Faculty. “A company’s competitive advantage is inextricably linked to such information, which is exchanged during a corporate finance transaction.”

“But the key message is not to do less corporate finance or to do transactions elsewhere in the world,” he adds. “The most important thing is to recognise that we are really leading the way. When we looked at publishing this guide, we looked at whether there was anything similar in Europe or indeed in the US, and there isn’t. That the financial institutions in the City are aware of this, that it is on the agenda at the most senior level, demonstrates we are

David Petrie (pictured as part of the panel, above), David Willetts and leaders of professional bodies such as the BVCA, CBI, the Takeover Panel, AFME and the Law Society, joined the ICAEW Corporate Finance Faculty at Chartered Accountants’ Hall for the launch of *Cyber-Security in Corporate Finance* in January





## TOP OF THE AGENDA

At the launch of the *Cyber-Security in Corporate Finance* guideline, minister for universities and science David Willetts (below) welcomed the faculty and its partners' endeavours to put cyber security on the business agenda.

"We want boards, including non-execs, to be willing to ask the legitimate layman's question. We'd like companies to realise this is a vulnerability, that they are aware of it right up to the top, and doing everything possible, using our advice and guidance, to tackle it."



taking this very, very seriously, and that the UK is a good place to do corporate finance."

## COMPETITIVE ADVANTAGE

The government minister for universities and science, David Willetts, echoed that sentiment and took it further. He said taking the lead in cyber security would prove a competitive advantage for UK businesses and advisory firms.

"To build a reputation for being a safe and trusted place to do business: that reputation is hard to build," said BVCA chairman Simon Clark. "The UK is one of the few countries well on its way to building that reputation, and that is priceless."

Nick Fluck, president of the Law Society, warned that hackers "will follow the money", so all parties involved in corporate finance need to be "on their game" when it comes to information security. "Law firms that deal with this type of work are custodians of enormous-value client information," he said. "They absolutely have to secure that for the client, and for their own reputations."

Simon Lewis, AFME chief executive, announced at the launch event that AFME would be updating its own guidance, to make cyber security part of the due diligence process. "We have decided to issue a new policy recommendation in response to this document, so AFME members engaged in corporate finance activities should include cyber risk in due diligence checklists," he told a packed Chartered Accountants' Hall. "Where appropriate [they should] discuss cyber risk with board members or senior executives of the companies involved. No organisation is immune to the challenges posed by cyber security. What is at risk here is trust in the actual financial system, in





## CREATING NEW OPPORTUNITIES

### CYBER SECURITY = DEALS

The *Cyber-Security in Corporate Finance* guide has attracted international interest and media coverage. The faculty co-ordinated the taskforce to help cement the UK's reputation as a global centre for deals, and devised the industry-led alternative to regulation.

The ICAEW-led initiative involved the Cabinet Office, the Association for Corporate Treasurers, the Association for Financial Markets in Europe, the BVCA, the CBI, the Law Society, the London Stock Exchange, The Takeover Panel and experts from Deloitte, EY, KPMG and PwC.

Corporate Finance Faculty manager Shaun Beaney took part in a panel discussion at the 3rd Annual Cyber Security Conference in London on 20 February. It was organised by Philip James, joint head of the technology sector at law firm Pitmans. Visit [icaew.com/cfcyber](http://icaew.com/cfcyber)

which corporate finance plays such a crucial part."

### AWARENESS AND FOCUS

Philip Robert-Tissot, director general of the Takeover Panel, said because of the changes in the way businesses operate and how employees work, all parties to transactions must stay up-to-date with cyber security and cyber risks.

"Keeping transactions secret before offer announcements are made is of paramount importance, hence rule 2.1 of the Takeover Code," he said. "The breadth of risks here, smartphones, tablets, the fact that you work occasionally via your home PC, or the systems in your office, means there is a wide range of threats. This sort of initiative is hugely helpful to raise awareness. Boards, executives and advisers need to understand the risks we are all exposed to, day-to-day."

Clark emphasised the importance of the initiative to BVCA member firms: "Corporate finance is at the heart of what our members do - we fund growth. When we go into partnerships and joint ventures, we are involved in activities that go beyond the company. We need to trust that those discussions...remain secure and confidential." ■



### FOR MORE INFORMATION:

A copy of *Cyber-Security in Corporate Finance* is enclosed with this edition of *Corporate Financier*

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### CYBER SECURITY - THE DIGESTED READ

- Corporate finance is an important part of the UK economy, and a key part of the UK's competitive advantage, but with security being paramount, good cyber security is vital for organisations' reputations.
- The nature of corporate finance transactions does make them a target for cyber criminals, as the amount of sensitive information exchanged in deals inevitably attracts attention.
- Corporate finance transactions represent a greater moment of vulnerability to cyber attack than day-to-day business, because of the information shared and the number of parties involved.
- Businesses and their advisers should consider cyber risk as part of their normal audit and risk assessment process.
- The Cyber Task Force has brought together government and the private sector to create guidance on cyber security for each step of a corporate finance transaction.



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# We let our clients do the talking.



## **Rempower**

Asset Based Lending  
Automotive Supply Chain | **Undisclosed**

"Centric wrapped their arms around both transactions and, as they always do, delivered exactly what they said they would – a quality which is so refreshing in the financial services sector. We have a proven relationship with Centric, having worked with them for many years. They are incredibly competent, professional, supportive and always available."

David Roberts, Group Chairman, Arlington Industries

## **Corporate Acquisition Partners**

Asset Based Lending  
Wire Drawing and Manufacturing | **£2,900,000**

"This was a very difficult deal to pin down, as the target company had gone through a period of difficult trading that impacted on cashflow negatively and camouflaged underlying performance. However, with every movement in negotiations we were forced to make, Centric moved with us. They lived up to their reputation, providing us with access to senior decision makers who acted with speed, transparency and flexibility."

Board, Corporate Acquisition Partners



## **Pacer International**

Asset Based Lending  
Optoelectronics Components | **Undisclosed**

"Our working relationship started with our successful MBO. But since then, the depth of knowledge the Centric team have accumulated has shown itself in how they have worked with us in finding new ways to unlock our potential. Centric are a role model for the financial sector."

John Davies, Financial Director, Pacer International





### **Xerxes Equity Limited**

Asset Based Lending

Building Products Manufacturing | **£4,800,000**

"Once again, Centric has been very supportive of our ambitions to acquire businesses that will accelerate the growth of the group and bolster its profitability. Working with a team you know so well, makes such a difference in terms of making acquisitions happen. I know I can always talk to Centric about ideas and that they will look to deliver the level of funding required with the understanding and urgency that acquisitions require."

John Cowley, CEO, Xerxes Equity Limited

### **Matrix SCM**

Confidential Invoice Discounting

Recruitment Process Outsourcing | **£3,000,000**

"Matrix has grown by 35% since the MBO and I can confidently say this would not have been possible without the sort of service we get from Centric."

Julian Young, Chief Executive Officer, Matrix SCM



### **Dailycer UK**

Asset Based Lending

Cereals Manufacturer | **£2,900,000**

"Centric have listened to our plans for the business, and delivered a funding package that supports our immediate needs and provides flexibility for us to look forward to an ongoing funding partnership. The unique aspect of the process was having the opportunity to share our vision directly with the credit decision makers, and for them to take the time to listen to the business case and understand what you and your shareholders are looking to achieve."

Pete Robertson, Managing Director, Dailycer UK



# FORCING THE HANDS

Crusaders for shareholder value or the natural heirs to the corporate raiders of the 1980s? However one regards activist investors, they are on the rise and many companies are increasingly finding them camped out on their front lawns. David Prosser explores what can happen when activists hit the campaign button

**W**here once the focus was on financial services businesses, shareholder activist protests are now spread across many sectors. According to research from Linklaters, shareholder activism has increased globally by 88% since 2010 - in Europe alone it increased 62%. The law firm also warns that activists are now taking on a much broader range of companies than ever before.

Successes, including the campaign led by David Einhorn's hedge fund Greenlight Capital - which ultimately resulted in Apple promising to increase its three-year capital plan distribution to shareholders to \$100bn - have persuaded more activists to launch funds. According to eVestment, activism was the best performing hedge fund strategy of 2013, with a 15% gain.

## GETTING AGITATED

Shareholder activism can cause havoc in M&A situations - for both target and bidder - and not always in the way companies expect. "Often, an activist is actively looking for a deal, but they may also frustrate M&A, blocking a deal or pushing for a higher price," warns Linklaters partner Charlie Jacobs.

Christopher Hohn's (intriguingly named) The Children's Investment Fund Management (TCI), for example, first came to public prominence in 2005 when Germany's Deutsche Boerse bid £1.35bn for the London Stock Exchange. TCI, which had taken a 5% stake in the German company, thought the price too high and set out to scupper the deal. Within a year, not only was the bid withdrawn, but also Deutsche Börse's chief executive had quit.

TCI has also been involved in the reverse situation. As a shareholder in the steel business Arcelor, it was unimpressed with the takeover offer tabled by Mittal Steel Company in 2006 and worked with other minority investors to get a better price. The deal went ahead, but only after Mittal raised its offer by 55%.

The presence of an activist on the shareholder register should not stop companies from undertaking M&A, but surely gives management pause for thought. On the flipside, a company with an activist on its register may





“Sometimes they declare their hand, but in other cases they’ll sit on the shareholder register, which can be unnerving. The business never knows when the investor will pounce”

**Charlie Jacobs**  
partner, Linklaters



prove less attractive to a bidder, who is concerned about troubles ahead.

Companies considering M&A activity also need to be aware bid situations can sometimes act as a magnet for activists: “Your shareholder register may look very different at the end of a takeover saga to how it did at the beginning,” adds Jacobs.

In particular, companies going through any sort of restructuring exercise need to look out for opportunists. “If, say, shareholders must approve equity being wiped out in return for debt, you sometimes find the activists coming in to hold the deal to ransom,” Jacobs says.

## HOME INVASION

The activists are already targeting the UK, where British law gives shareholders more rights than their counterparts on the continent. In January, it emerged that US hedge fund Elliott Associates has been buying shares in the supermarket group Wm Morrison, with the hope that it could force a shake-up of its property portfolio. Another US hedge fund, Sandell Asset Management, bought 3% of FirstGroup, to persuade the transport business to sell its US operations.

These episodes are increasingly common, says Josh Black, of Activist Insight, which tracks shareholder activism globally. “It is a strategy that has worked really well for the market leaders, and their funds under management have increased significantly,” he says. “They’re looking for new opportunities and casting the net wider.”

One such leader is Pershing Square Capital Management, which has been making waves in corporate America for a decade and which launched its first London fund last year. Pershing founder Bill Ackman warned European companies to expect an onslaught: “Europe is 10 years behind the US in the degree of shareholder activism and in how directors respond,” he said in a speech at the University of Oxford’s Said Business School last autumn. “Demand

for returns to meet pension obligations will make shareholders inherently more active and unaccepting of underperformance.”

So far, the activists’ scalps in the UK have been limited. Rebuffs have been more common. Last year Elliott Associates began selling its 17% stake in National Express, after its lobbying for a sale or break-up of the company failed to find support with other shareholders.

The UK has a more established tradition of shareholder engagement conducted behind closed doors, which jars with the approach taken by activists. They prefer to conduct campaigns through the media. But, that has begun to change since the financial crisis. The so-called ‘shareholder spring’ of 2012, when investors repeatedly and openly rebelled against companies’ remuneration policies, cost two FTSE 100 chief executives, Andrew Moss of Aviva and David Brennan of AstraZeneca, their jobs. It put others on notice to expect investors to be more confrontational.

## HOW TO PREPARE

Boards unprepared for an encounter with activists risk a nasty shock – as well as having to respond on the hop. “Companies have carefully developed playbooks for dealing with a bid, right down to what they do in the first 24 hours, but have they considered how they would deal with an activist

## SHORT OR LONG

Many pension funds consider activism in the context of the *Kay Review* ([bit.ly/Nu2XaB](http://bit.ly/Nu2XaB)), published in 2012 following Professor John Kay’s investigation into whether the structure of the UK’s capital markets promotes an overly short-termist strategy from companies beholden to speculative shareholders.

Often, these are fine judgements. Ultimately, the extent to which activists’ demands gain traction with other investors depends on their faith in the company to deliver greater value in the long term. And sometimes even those companies facing attack accept there may be some merit in criticisms.

Steve Brown, founding partner and chairman of the investment committee at Governance for Owners ([governanceforowners.com](http://governanceforowners.com)), the specialist investment boutique set up in London eight years ago, believes a handful of high-profile confrontations between activists and companies have given the wrong impression about activism.

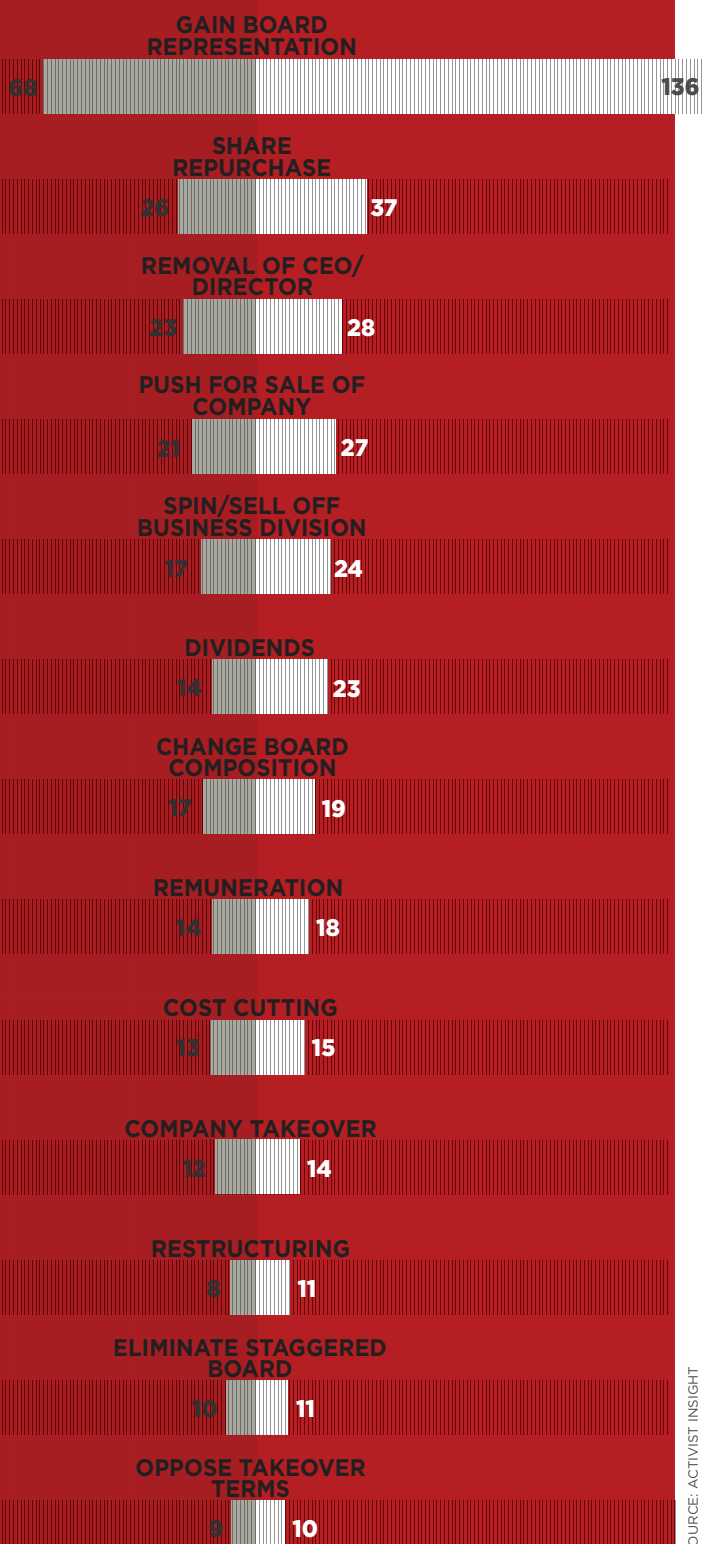
“We describe ourselves as a constructive activist,” Brown says. “We seek to have a dialogue with boards about strategic issues and act as a catalyst for change.”

While Governance for Owners makes use of a variety of tactics to press its case, Brown says it very rarely conducts its campaigns in public. The average tenure of its investments is three years, which he points out is hardly short-termist.



## SHAREHOLDER ACTIVIST ACTIONS

USED BY NUMBER OF ACTIVISTS      NUMBER OF TIMES EMPLOYED



“We describe ourselves as a constructive activist. We seek to have a dialogue with boards about strategic issues and act as a catalyst for change”

**Steve Brown**  
founding partner,  
Governance for Owners



approach?” asks Jacobs. He suspects many have not.

Not that planning ahead is easy. For one thing, the term ‘activist’ covers a plethora of different agendas. Some activists may not even have economic motivations. Social policy activists may be pushing for a change in business practices amid concern about the company’s environmental practices. They may disagree with supply chain policies. And special interest groups may target specific sectors.

Even where boards fundamentally disagree, they can’t simply dismiss such arguments as against the financial interests of the business. A skilled minority shareholder may do the company substantial reputational damage. At this stage, the issue becomes economically significant.

This is part of the increase in activism identified by Linklaters, but so are the encounters where the activist’s goal is to change the company in order to boost the value of its stake. These activists may be operational, agitating for performance improvements or business change – as in the case of WM Morrisons. They may be strategic, with activists pushing for a change in direction from the company or opposing its publicly-expressed plans, as in the FirstGroup case. Either way, this may lead to the activist pushing for a change in board personnel. That may even be the activist’s strategy from the start; governance-focused activists seek changes in management.

### AIM OF THE GAME

It is not always immediately apparent what the activist wants. “Sometimes these companies declare their hand, but in other cases they’ll just sit there on the shareholder register, which can be really unnerving,” says Jacobs. “The business never knows when the investor might pounce.”

A good example is currently playing out at newly-privatised Royal Mail, where TCI has built a 5.8% stake but, as of 20 January this year, cut its stake to 4.58%, reducing its investment by £74m. There was

SOURCE: ACTIVIST INSIGHT

“Activists may be more ‘in your face’ but it is healthy to challenge companies that are potentially underperforming – that’s in the interests of all shareholders”

**Simon Boadle**  
corporate finance  
partner, PwC



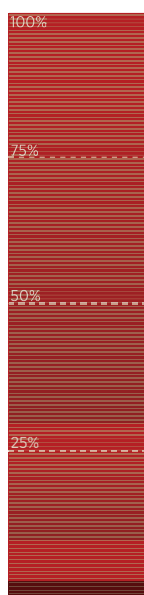
speculation that TCI believed the shares to be at the top of their valuation or that it may use its stake to force change at the company – a claim refuted by Royal Mail chairman Donald Brydon in an interview with *The Daily Telegraph*.

The first line of defence against the activists, says Dan Beanland, M&A partner at Deloitte, is to deny them an opening. It is easy to say, but activists looking for underperforming companies, or businesses where strategy is unclear, will pass on those that don’t fit the bill.

“Take a more proactive approach to communication,” suggests Beanland. “We’ve seen companies such as HSBC and Aviva, which have previously come under pressure to change strategy, use presentations to shareholders to set out really tightly-defined criteria on when they’ll consider deals such as divestments.”

Most companies, if boards are honest and self-aware, know when they are vulnerable to criticism from shareholders. Strong communication with investors should be an important priority for all boards, but all the more so during periods of weakness.

“If a company has underperforming assets or large cash reserves but no obvious strategy for putting them to work, it may be susceptible to an activist attack and will be sensitive to what its shareholders



## STRATEGIC ACTIVIST

Activists need a big enough stake to be taken seriously. The greater the stake, the more power they could wield. On the other hand, keeping a small stake allows them to stay under the radar tactically. Most activists do not want an outright takeover and avoid exceeding a 30% shareholding. There’s also a danger of being seen to act in concert with other shareholders, so that stakes therefore count as one.

**The Takeover Code and company law can be at the heart of an activist’s strategy (% shareholding):**

← **30% or over** – must make full offer for company

← **Over 10%** – right to call EGM

← **Under 3%** – no need to declare stake

are thinking,” advises Piers Prichard Jones, partner at City law firm Freshfields. “The company needs to have a plan for resolving any strategic issues and to know its shareholders are supportive.”

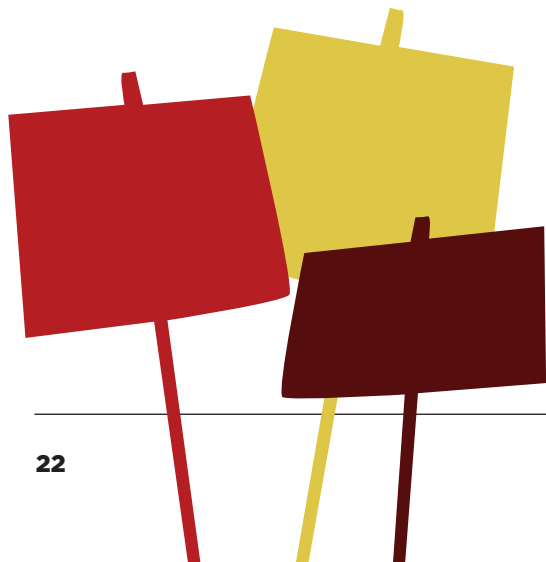
No board should assume the activists would never come knocking. Sensible companies need a regularly updated step-by-step action plan for dealing with an approach (see box, right) that has been shared with all those who will play their part.

Gut instinct may be to send an activist packing, but it would be wrong to be automatically hostile, says Simon Boadle, PwC corporate finance partner: “Activists may be more ‘in your face’ but it is healthy to challenge companies that are potentially underperforming – that’s in the interests of all shareholders. The question is whether the activist is driven by short-term gains and wants something that is disruptive to long-term shareholder value.”

Taking a view on that may be difficult, but it is important not to give disproportionate importance to the views of a minority shareholder. An activist may be more vocal than other investors, but that doesn’t give them any more rights.

Boadle believes well-run businesses have little to fear: “If the board is managing the company effectively, regularly reviewing the strategy and capital structure as boards are supposed to do, and articulating the strategy clearly to shareholders, the directors are well-equipped to deal with these situations.”

Will Pomroy, corporate governance policy lead at the National Association of Pension Funds, agrees – institutional investors such as pension funds want to hold companies to account, he says, but that doesn’t mean they’ll side with the activists: “We support engagement with companies, which is being a good active shareholder, but activism is a different thing. It involves holding a concentrated number of stocks where an investor thinks they can see a way to unlock value.” ■



## ANTICIPATING THE ACTIVISTS

"The playbook for dealing with an approach from an activist is not dissimilar to the plans most companies have in place for dealing with a takeover approach," says Freshfields partner Piers Prichard Jones. "It is about making sure the right information is made available quickly to everybody who needs it and those people know what they should and shouldn't be doing in the first 24 to 48 hours."

The first question is whether to simply ignore them. It's tempting but carries risk. Activists are sophisticated campaigners, who will have at least tried to rally other investors. Dismissing them out of hand may suggest the board is indifferent to shareholders' views.

Companies that do decide to engage need **a strategy**. They need to ensure the board agrees **a single message**, which means convening a meeting – by phone or online if necessary – to consider a response. The company will need **financial advice**, both on the direct implications of any proposals the activist is making and on the indirect consequences of its intervention. What might the effect be on planned M&A activity?

"The playbook for dealing with an approach from an activist is not dissimilar to the plans companies have for dealing with a takeover approach"

**Legal counsel** will also be important. What are your exact duties given the nature of the activist's shareholding and its demands? Does the activist have a stake large enough to force an extraordinary general meeting?

**Public relations expertise** could prove crucial too. Activists often use the media to make their case to other shareholders, so the company will need advice on how to counter that should it need to. While companies generally prefer not to wash dirty linen in public, a good PR adviser will help it engage with the media where necessary, and advise when to stay silent. It can also help keep the company and its directors out of the High Court, avoiding slander and libel pitfalls.

**A communications plan** should not be an afterthought, but it will need to evolve over time. So will the rest of the strategy, as shareholders' views become known and the activist tries different tactics. There may even be a need to offer some sort of olive branch.

Even where an activist isn't seeking direct board change, many directors will feel personally slighted by an attack. Executives in particular may feel the pressure, creating the possibility for tension with independent non-executives.

While giving in to a minority shareholder may leave the board looking weak, rejecting coherent arguments out of hand may be a missed opportunity to add value for all investors. "Human instinct is to say no but the board has to act in the interests of all shareholders – a compromise may not be the worst result."



## HIDDEN VALUE?

Governance for Owners bought into engineering company Cookson in mid-2009, convinced it was sitting on hidden value.

"There were two global businesses, both of which were constrained by having been put together arbitrarily under the single Cookson banner," explains chief investment officer Steve Brown. "Our starting point was that Cookson should sell the smaller electronics operation."

The investor began discussions with Cookson almost straight away, but was heartened by a number of board changes in 2010, including the appointment of Jeff Harris as chairman, whose arrival Brown recalls was "significant". "By mid-2011 it felt as if Jeff and the board were moving towards a similar view." Brown says their position had moved too. "In fact there was more value in the electronics business than we had initially realised and by then we felt a demerger was a better option than a sale."

Cookson announced a strategic review, which reached that conclusion, and the company was split up in December 2012. Brown estimates the reward over three-and-a-half years was an annualised return in the region of 31%.

"We've seen companies use presentations to shareholders to set out really tightly-defined criteria on when they'll consider deals such as divestments"

**Dan Beanland**  
M&A partner, Deloitte







# WHEELS IN MOTION

Brian Bollen looks at the deal climate driving a resurgence in UK manufacturing and the wider impact it could have on economic recovery

**T**here are several key indicators that demonstrate a return to health for the UK economy. Growth? Tick. Purchasing managers' indexes positive? Tick. Car production accelerating? Tick.

Last September a headline in *The Times* stated: 'Carmakers put foot down as exports go into overdrive'. Car manufacturing was up 16.2% in the 12 months to August, the CBI found in its survey of 400 manufacturers, with production at the highest level since late 2008. Total orders had also risen five months in a row. Stephen Gifford, the CBI's economics director, said: "Firms were more upbeat about growth prospects in the coming quarter than at any time since 1995."

## DIP IN M&A

And indeed, this has been echoed by M&A activity. EY, for example, reported in mid-summer that deal activity in the UK automotive sector saw the largest increase, with deal volumes increasing from 19 in the first half of 2012 to 30 over the same period in 2013.

"This peak in activity in the automotive sector indicates that there are still pockets of value for those businesses willing to invest in certain sectors," said Jon Hughes, head of EY's transaction advisory services in UK and Ireland.

When it comes to manufacturing in general, statistics published by Thomson Reuters suggest the volume and total value

of deals has fallen in 2013. By mid-December worldwide there had been 10,827 deals worth \$633bn, compared with 11,931 deals worth \$687.9bn for the same period in 2012. At the halfway point of the year 2013 had been slightly up on 2012.

However the Deloitte *M&A Index*, a forward-looking indicator that forecasts future global M&A deal volumes and identifies the factors influencing conditions for dealmaking, was more positive. Global M&A activity was forecast to increase by 6% in the second half of 2013, according to this index. It seems like the pipeline of deals has just become stuck as deals continue to take longer to complete.

The world should expect more M&A

transactions to be announced in the sector globally as economic recovery gathers pace, suggests Ross James, a partner with responsibility for manufacturing in the transaction services arm of Deloitte's UK corporate finance practice.

"You have to remember one or two key things about these figures," he says. "One is that the statistics are backward-looking, so are a lagging indicator of the market.

"The deals that have been announced recently were conceived perhaps a year ago. What's happening now is the fruit of earlier labours. Our view is that sentiment is changing, and that activity levels will almost certainly grow."

### CONFIDENCE PLEASE

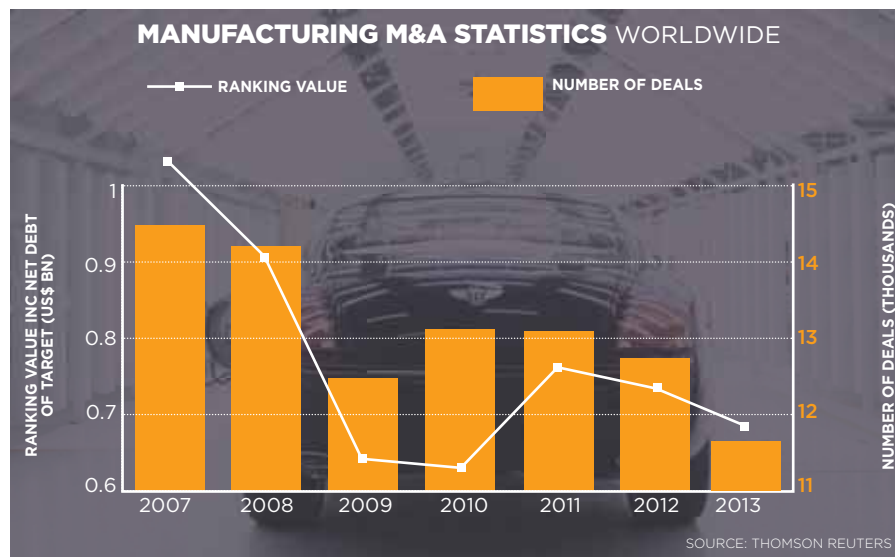
Why should this be the case? There are prerequisites to M&A deals. There needs to be a business strategy that includes the requirement for buying or selling companies. There needs to be finance available and, most crucially, there needs to be confidence. "Strategy and finance have been there for some time, it's the confidence that's been lacking," adds James.

Timing, too, has a key part to play, he continues. "We are aware of disposals that have been sat on for months, or even years, as would-be sellers have waited for a better time to sell." If this analysis is correct, a tipping point might have been reached that will generate deals in many of manufacturing's bewildering range of sub-sectors, not just in mainstream M&A but also in the private equity sphere.

James is convinced there is genuine substance to the forces driving the improvement in sentiment. "People are investing and that is translating into work and real orders. PMI data represent real orders, and a whole range of other business data are better today

"The deals that have been announced recently were conceived perhaps a year ago. What's happening now is the fruit of earlier labours"

Ross James, partner,  
transaction services,  
Deloitte



than they were 12 months ago."

While mega-deals remain out of fashion, a number of larger deals have emerged in the past few months. France's Schneider Electric agreed to acquire UK engineering group Invensys for £3.4bn in its quest to build a bigger share of the fast-growing industrial automation market.

Deals such as this underpin the thesis on the attractiveness of UK manufacturing businesses as advanced by Darren Jukes, UK head of industrial manufacturing at PwC: "We see a very strong appetite on the part of foreign industrial businesses to invest in the UK because of the advanced engineering, technology and capacity for growth. The UK offers future technology rather than metal bashing. It also offers a capacity for, and a track record in, establishing and building global businesses with strong export sales."

In the quarterly *Assembling Value* report, Bobby Bono, PwC's US industrial manufacturing leader, says there are other trends in manufacturing M&A. "All acquirers, regardless of region, are more frequently using cash and equity for new deals. This trend suggests that the sector remains focused on deleveraging, particularly when taking into account our financial benchmarking of the largest global industrial companies, which indicates that debt ratios have declined."

### HERE COME THE CHINESE

Deals involving Asian acquirers and targets, primarily driven by China, have been on an upswing. Bono predicted 2013 would have the highest percentage of China-involved M&A of any annual period over the past 10 years.

Jason Whitworth, an M&A partner at

"All acquirers are more frequently using cash and equity for new deals. This trend suggests that the sector remains focused on deleveraging"

Bobby Bono, US industrial  
manufacturing leader,  
PwC



BDO, says Chinese companies are now looking to do deals outside their own market. "They have always had a strong bias towards well-known brands, new technology and new skills that they can bring back home."

Chinese deals announced in 2013, adds PwC's Bono, primarily involved "strategics acquiring industrial machinery targets, as well as financial investment in fabricated metal products companies".

"The horizontal consolidation within Asia, as well as the US, drove an overall increase in the share of global M&A attributable to fabricated metal product targets," he adds. However, the largest deals continue to occur in industrial machinery, where financial buyers also remain active."

Financial acquirers are expected to continue to find new opportunities. Despite the decline in overall deal volume, financial deals are on pace to easily exceed 2012 levels. China also seems likely to drive a larger share of overall industrial manufacturing deal activity as the country becomes more important to the global economy. ■





# Under the influence

From planning policy and market regulation in stable countries to human rights and civil unrest in those that are less stable, government actions increasingly hold sway in M&A and investment decisions, argues **Mark Gregory**

**O**ne of the most striking changes on the international landscape as a result of the financial crisis has been an increase in the impact of government on business performance. And business has recognised this re-emergence of political risk.

EY's last bi-annual global *Capital Confidence Barometer* (CCB), a survey of senior executives from large companies around the world, revealed that 38% of business leaders saw increased political instability as the major risk affecting their investment decisions - the highest economic risk to investment identified in the survey.

## IN PLACE OF FEAR

Political risk in developed economies is manifesting itself in heightened government intervention. More onerous regulation in the financial sector is one example, and there are increasing attempts to influence conduct, such as the linking of corporate taxation and eligibility to bid for public contracts.

In the UK, the focus of business on corporate governance and regulation increased by 25% and 20% respectively in the most recent CCB, compared with the one six months prior. And the focus on growth and investment dropped. Clearly, political risk distracts businesses away from expansion planning and transactions.

The scale of the change is significant and should come as little surprise given public sentiment towards the banking sector,



## KEY FINDINGS

## In the two years since 2011, EY's CCB has revealed:

- a reduction in proposed eurozone M&A by 40%;
- increased attention to the US (up 50%);
- a sevenfold increase in interest in Africa; and
- within the BRICS, investment intentions in South Africa and India have grown at the expense of Brazil and China.

increased pressure from issue groups across sectors and several high-profile fraud allegations such as those concerning Libor and Forex trading.

Political risk on a global scale goes beyond measures to regulate and influence. While the world economy was expanding, structural economic weaknesses were either masked or were simply not issues that investors were unduly worried about. As the world economy emerges from the financial crisis, growth will be lower and harder to achieve than in the pre-crisis period. Incomes will be squeezed. This new paradigm is likely to encourage governments to intervene in the economy and increase the political risk for businesses.

First, governments have less

flexibility to deploy resources to satisfy certain interest groups and hence head off any social unrest. Populist tools such as fuel subsidies, tax breaks or new flagship projects will be more difficult to fund. We saw outbreaks of social unrest in 2013, which have continued into 2014. This focuses investors on these risks, which they may have been less diligent about in the past.

Second, it is clear that many economies now need significant structural reform. That process can be both difficult and painful to execute. The most obvious case is the eurozone. But the consensus is that many economies such as India, Russia, Brazil and South Africa all need major reform. So a potential investment cannot be evaluated solely on how value can be added by direct management. Acquirers and investors need to evaluate the potential for government to drive reform that will enhance economic growth and in turn provide additional incremental growth to any asset.

Faced by a squeeze on resources and the need to drive structural reform, government actions become more unpredictable. The UK energy debate has rapidly accelerated as politicians from all sides react to concerns at rising household energy prices. The natural tendency for business is to pause investment and M&A, and allow time to understand the new environment. That clearly has negative economic consequences.

## EMPIRE STRIKES BACK

UK corporate financiers are shifting interest to markets they know best, where the UK has more chance of understanding the political environment, such as North America, India, South Africa and the Middle East - locations where Britain has had a strong relationship historically.

These moves certainly reflect changing economic expectations. There is the recovery in the US that contrasts with the continuing problems of the eurozone, and also long-term strategic moves, such as the continuing interest in Brazil, Russia, India, China and South Africa (BRICS), despite clear short-term challenges.

While dealmakers wrestle with which countries to place their bets, there appears to be an underlying sentiment towards risk aversion in capital allocation. We expect to see more rigorous evaluation of investment opportunities going forward. Businesses tell us growth is on the agenda but it is clear that wherever they

place their money they will do so with one eye on political risk, which is understandable as a new economic age develops. When considering the pros and cons of an investment decision, there will be detailed and broader analysis of opportunities, with more consideration of the interplay between political and economic risk.

Clearly, there is a danger that these factors will act as a dampener on investment intentions and may lead to a state of inertia. But if UK plc decides not to invest now it may well be left playing catch-up against its global competitors, which are getting more powerful. Delaying or stemming investment at this point could lead to UK businesses having the wrong model for growth. Equally, it could leave them without the capacity to grow when the economy starts to power ahead.

I would urge companies to re-evaluate their target investment destinations in light of the new economic reality. Basing investment decisions on intelligence gathered 12 months ago is not going to provide an accurate reflection of portfolio performance or growth opportunities, in terms of both markets and products. The business world continues to evolve post-crisis rapidly and corporates need to execute diligence strategically. As the world changes, their view of the world needs to reflect those changes.

Critically, businesses need to be in an informed position so they effectively utilise the capital at their disposal. Sitting on significant deal war chests and waiting for concrete signs of a sustained recovery eliminates short-term risk. But it leaves them highly vulnerable over the mid to long term. So when executing due diligence on potential markets and assets, deal makers have to move political risk higher up the boardroom agenda when considering where to place their investments. Better understanding of these risks will play a huge role in shaping their geographic portfolios, and ultimately point them towards those that offer longer-term strategic growth opportunities. ■



**Mark Gregory** is EY's transaction services partner and chief economist

## KEY CONSIDERATIONS

## Businesses have been focusing more on the impact of regulation and political intervention.

- During the boom years political risk was either masked or not an issue.
- In straitened times, governments have less opportunity to deploy capital to address issues.
- Some emerging and developed economies need structural reform - can it be delivered?
- Old alliances come to the fore when new ones are more challenged.
- Companies need to prioritise political risk when scoping due diligence for potential investments.

# Risky business

## Bribery and the risk to business from increased regulation and severe sanctions

As the Bribery Act 2010 approaches its fourth birthday, three distinguished professionals will examine the topics currently engaging the attention of corporates conducting overseas business, and their professional advisors.

- Doing business in risky places: are there any non-risky places?
- The growing demands of international norms on global commerce.
- The risk of increased regulation and the terror of debarment.

### Guest speakers

**The Rt. Hon. Sir Anthony Hooper** (Matrix Chambers, former Lord Justice of Appeal rtd) will chair the event and provide an overview of the topic.

**Monty Raphael QC** (Special Counsel at Peters & Peters LLP and author of *Blackstone's Guide to the Bribery Act*) will consider the developing policy in this area.

**Will Kenyon** (Partner in Forensic Services, PricewaterhouseCoopers LLP and lead author of TI-UK's *Diagnosing Bribery Risk*) will give an insight into the current practical risk assessment challenges.

### Date

Tuesday 25 March 2014  
08.45–10.45

### Venue

Chartered Accountants' Hall  
One Moorgate Place  
London EC2R 6EA

### Costs

Preferential rate for Corporate  
Finance Faculty members:  
£15 + VAT

### Bookings

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**Fraud  
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**Fraud and corruption in war and armed conflict** One day conference Thursday 22 May 2014, London



# Niche no more

Debt private placements are on the radar as Europe's debt markets aim to replicate the success of the US's \$50bn fund. Vicky Meek looks at a changing landscape

**A**s Europe's companies are shifting away from their reliance on bank lending for their funding needs, one corner of the market is getting more attention: debt private placements.

"Banks have retrenched over the past few years, so alternative sources of finance have come to the fore," says Carlo Rusche, assistant director in PwC's debt and capital advisory team. "Public bond markets have been incredibly hot, but are typically only accessible to larger companies. However for companies that aren't able to access this market, the private placement market provides a very attractive alternative."

Unlike their public bond cousins,

private placements do not require issuers to go through the process of getting a public rating. And, as investors increasingly seek yield, pricing is becoming very keen indeed, making it an attractive option for the borrower. Meanwhile, deal sizes in the private placement market have been getting smaller and the main investors in this area - primarily US insurance companies and pension funds - are increasingly looking to Europe.

"The private placement market in Europe is opening up to SMEs," explains Rusche. "In light of yield compression at home, US investors continue to seek yield opportunities in Europe and simultaneously a number of European institutional investors are actively



targeting the lack of liquidity in the SME space. In recent years, traditional private placement investors looked primarily to larger, investment grade, often listed companies. That excluded a lot of businesses, but as US investors continue to seek yields elsewhere, many investors are now looking at relatively smaller companies."

Indeed, there is such an appetite for assets, according to Angus Whelchel, head of EMEA private capital markets at Barclays, that deals are often substantially oversubscribed: "This demonstrates a real demand from investors that needs to be put to work."

On the supply side, there are developments, too. "Many treasurers and CFOs are now familiar with private placements and view this product as another vital funding alternative to consider," says Whelchel. "They know the process and they know the players. What's really interesting is that once a company has completed a private placement, they often become repeat issuers and, as a result, supply is supported in the UK and Europe over time." For example, Anglian Water has accessed the market several times over the years.

#### AMERICAN HISTORY

The US private placement market - by far the most developed globally - was valued at about \$50bn in 2013, slightly lower than in 2012, but nonetheless higher than the preceding six years, according to *Private Placement Monitor* and Barclays analysis. European deals accounted for \$16.9bn of this, with UK companies raising \$8.5bn of the total. Some of the more recent UK deals include BBC Worldwide, which raised \$70m more than its \$100m initial target last summer, British Land, which raised £200m from existing investors last September, and Anglian Water (see box).

While there are some UK investors - M&G has been on the market since 1997 and has £2bn invested in this type of debt, and Aviva and Prudential have

**\$50bn**

value of the US private placement market in 2013

**€13.6bn**

amount issuance reached on the German private placement market in 2013

**£170m**

value of BBC Worldwide's issue in 2013

dipped into the market - most UK issuers still go to US investors. Some of them have set up London offices - New York Life established a London presence last year.

In France, Axa and Allianz have recently entered the market, although they currently focus on the domestic market only. In Germany, there is a private placement market of sorts - the *Schuldeschein* - that is primarily financed by banks and sold down to local bank branches. Issuance on the *Schuldeschein* reached €13.6bn in 2013, of which €5bn was for non-domestic issuers, including Sainsbury's.

There has been much talk of the emergence of a European market and in 2012 the *Breedon Review* recommended that a UK private placement market be fostered. However, most people involved in the market believe it is more likely that US investors will continue to dominate for the foreseeable future.

US investors are becoming more accommodating of European companies' needs. Until recently, dollar denomination was the norm for private placements with US investors and, while that may have suited some companies, for others, it added complexity and risk. That has changed.

There has been continued development of the depth of this product across a range of currencies

over the last 10 years, says Whelchel. "We've let transactions in dollars, sterling, euros and in many cases multi-tranche deals in all three, which shows that investors are increasingly comfortable supporting issuers in their natural currency," he says.

The advantages for issuers are clear. With investors increasingly seeking exposure to UK and other European companies, pricing is keen, especially when compared with bank debt. BBC Worldwide, for example, was able to strike a deal for its £170m issue at 2.71%.

#### MATCHMAKERS

The long-term nature of insurance company and pension fund liabilities means that private placement debt tenor is often far longer than bank debt maturity. So, while banks may offer five-year maturities, private placement maturities are typically upwards of seven years. The British Land deal was struck with a 12-year tenor, for example. Accessing the market can also help companies to diversify funding sources.

This can be a drawback for some businesses. "The single biggest reason for companies not going to the private placement market is the 'make whole'," says Jonathan Trower, managing director at DC Advisory. "With private placement, you may have to pay a hefty penalty for pre-payment, unlike with bank finance, and so you have to

be very certain that you want long-term finance."

"There is no amortisation with a private placement," adds Aurélie Edus-Lepin, director at DC Advisory. "And so it may not provide the most efficient capital structure for some businesses. It may be a negative, for example, if the company is highly cash generative."

There are other, perhaps less obvious, plus points. "These are institutions that want to lend," says Trower. "They aren't looking for ancillary business and so the prices companies pay are much more transparent than with a bank that may be lending on condition of being awarded other mandates."

US private placement can also be more bespoke and flexible in some ways. "It's possible to arrange delayed funding," says Whelchel. "If, for example, you are concerned about where interest rates may be heading, you can lock in a deal today, but access the funding at a later date."

Investors are also seeking stable and consistent businesses - in line with the long-term nature of the finance. If there is likely to be a change in management or if the strategic direction of the company changes over time, it may be less attractive for investors. It is therefore not too surprising that the majority of issuance comes from power and

"If the economy continues to pick up, companies will be more comfortable. This should provide the ingredients for another strong year"

**Angus Whelchel,**  
head of EMEA private  
capital markets,  
Barclays



"Even though there is no need to seek a public rating, companies do need to issue an investment memorandum and do roadshows in the US"

**Aurélie Edus-Lepin,**  
director, DC Advisory



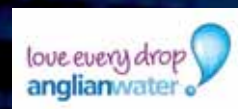
industrial companies - these accounted for 55% of 2013 issuance combined.

#### NOTES OF CAUTION

The process can be time-consuming. "Even though there is no need to seek a public rating, companies do need to issue an investment memorandum and do roadshows in the US to market to investors. This can be circumvented if the deal is arranged directly with investors. That can be distracting for management," says Edus-Lepin.

Yet despite these challenges, it seems that privately-placed debt will have a growing place on UK and continental European company balance sheets. That is likely with or without the long-awaited growth of a European private placement market. The increased flexibility, long-term nature of the debt and - for now, at least - abundant supply and attractive pricing on offer make it a win-win.

The prospects for 2014 look bright, says Whelchel: "If the economy continues to pick up, companies will hopefully be more comfortable spending on capex or M&A. This, coupled with a continued and increasing demand for diversification in sources of finance and a number of potential private placement refinancings set to come to market, should provide the ingredients for another strong year in the market." ■



#### ANGLIAN WATER TAPS US DEMAND

Anglian Water is something of an old hand at accessing the US private placement market. It has raised debt through the market several times over the years, the latest being an £80m deal struck last October.

"We have a large amount of debt," explains Anglian's treasurer, Jane Pilcher. "So for us, it's important to have a wide range of maturities across different markets so that we are not so exposed if one market goes awry. This is important. Over the past few years we've really seen how different financial counterparties can change their views and pricing quite quickly."

The other key benefit of the US private placement market, she adds, is the amount of capital companies can raise. "We raise a lot of debt from the UK sterling capital markets," she says. "The issue is that investors are increasingly looking for minimum sizes of £350m - there is a definite trend towards larger issues for liquidity reasons."

"That's fine if you need a large amount of debt on a regular basis and there is certainly a place for large bond issues in our portfolio, but one of the beauties of private placements is that investors are very flexible on size. You can also raise debt with far longer maturities. Banks might be able to provide £80m, but the maturity might be about five years; with private placement, the maturity can be 10-plus years."

Pilcher admits the process can be more drawn out than for public bonds. "With a bond issue, you will know within a few hours how much you have raised and on what terms," says Pilcher. "That's because public market investors can buy and sell readily. With private placements, investors buy and hold for 10 or more years and so their decisions will take longer. On average, you might need to factor in five to six weeks before you know how much you will raise and what the pricing will be."



# Appointments

## NEW HEAD OF CF AT BAKER TILLY



Rob Donaldson (above) has been promoted to head of Baker Tilly's national corporate finance business. He previously led the London corporate finance team and was head of M&A and private equity nationally. A specialist in M&A, business disposals, MBOs and fundraising, he has led more than 50 deals, with a combined value of more than £1bn, since being made partner 10 years ago.

At the same time, Baker Tilly's UK corporate finance service line has now been restructured, following the

takeover of RSM Tenon. The corporate finance service line is now divided into six regions - Ewan Grant heads up Scotland, Gary Houghton the North West, Kirsty Sandwell the South. Rob Donaldson and Paul Johnson head up two regions: the North East & Yorkshire and the Midlands.

"Coming out of the economic

**"Each of our new regional heads has a distinct knowledge of the local market"**

downturn, many businesses are starting to focus on growth and we expect to see an upturn in corporate finance opportunities this year as companies move on from survival and focus on the future," Donaldson said. "Having a stronger regional presence will be of real benefit to our clients and prospective clients across the UK. Each of our new regional heads has a distinct knowledge of the local market, which will be of great importance to businesses looking to develop strategically in their chosen markets."

## NEW CAVENDISH MANAGING PARTNER

Joe Stelzer (below) has been appointed as managing partner of Cavendish Corporate Finance. He will work closely with Cavendish founder and senior partner, Lord Leigh of Hurley. Despite his responsibilities in the House of Lords, Lord Leigh has retained a client-facing role; both winning work and managing transactions.

Stelzer led Polaron Plc in its IPO in 2004, and then to its sale, with the assistance of Cavendish, to US company Cooper Industries three years later. After leaving Cooper Industries in 2008 and a spell as an angel investor he joined Cavendish in 2010 as partner, and was made COO in November 2010.

"There are certainly a lot of owner-managers looking to see what their business is worth and our pipeline of sale mandates is rapidly growing as a result," said Stelzer of current opportunities at Cavendish. "At the moment the recovery is not translating into UK buyers, but certainly is to sellers where reasonable exit value expectations are providing good opportunities for overseas businesses to invest into the UK."



## NEWS IN BRIEF



Bobby Fletcher has joined **Catalyst Corporate Finance's** consumer team

from DC Advisory, where he spent several years in the M&A and debt advisory teams. Prior to this he was at Zeus Capital.

Global law firm **King & Wood Mallesons SJ Berwin** has opened an associate law office in Saudi Arabia with Majed Almarshad, a Saudi qualified senior corporate lawyer, who has been based in the firm's Dubai office since 2011. He is joined in Riyadh by energy, infrastructure and funds partner Matthew Cavanagh.



Michael Curtis has joined **3i Debt Management** as portfolio manager

from Alpstar Capital, where he was portfolio manager. He has more than 14 years' experience in the CLO and structured finance markets.

Joel Hope-Bell and Henry Wells have joined the global M&A team and James Cook and Mark Skelton the restructuring team, all as managing directors at **Duff & Phelps** in London.



Martin Morrin has been appointed chairman of the

**Asset Based Finance Association (ABFA)**. He is a managing director of Royal Bank of Scotland's invoice finance arm and was previously ABFA vice chairman.

New York-headquartered global investigations business **Stroz Friedberg**, has acquired **Tyrian Partners**, the London-based financial investigations firm.

German turnaround specialist **CIC Consultingpartner** and UK-based cross-border restructuring specialists, **Bryan Mansell & Tilley (BM&T)** have teamed up to market their services across Europe as





## GOULDSTONE JOINS BDO PHARMA TEAM

Martin Gouldstone (left) has been recruited by BDO to set up a pharmaceutical team. He has worked in the biopharma industry for more than 20 years and joined from development and commercial outsourcing consultancy Quintiles, where he was responsible for M&A across Europe, the Middle East and Africa.

"I believe that there is a fantastic opportunity to grow and develop BDO's position as a trusted adviser in the pharmaceuticals sector, helping our clients to realise their inorganic growth strategies at a time of unprecedented challenge and opportunity in the global pharmaceuticals environment," said Gouldstone.



## NEW CHIEF OPERATING OFFICER AT LPEQ

Listed private equity association LPEQ has recruited Louisa Symington-Mills (left) as chief operating officer from investment bank Jefferies, where she was a director. She joined Royal Bank of Scotland in 2007, and worked at Pragma Wealth Management and M&G

Investment Management.

LPEQ chairman Andrew Lebus said: "Louisa's considerable experience as a highly respected equity analyst covering the listed private equity sector will be invaluable."



## SVB BUILDS LONDON TEAM

Gerald Brady (left) has moved to Silicon Valley Bank's (SVB) London operations to lead UK relationship banking. Brady has extensive experience in the technology and finance world with SVB in Silicon Valley, as well as Siemens AG and 3i in London and California.

"From one fast-paced, exciting business climate to another, I am looking forward to life in London, after several years in Silicon Valley," said Brady. Tom Butterworth has also joined the London operation as vice president for entrepreneur commercial banking, joining from NatWest.

## BRAVEHEART-CROWDCUBE TIE UP

Braveheart Investment Group, the AIM-listed investment management group, has formed a partnership with Crowdcube Ventures to set up the Crowdcube Venture Fund. The first of its kind fund will enable passive investors to build a portfolio of investments by co-investing in crowdfunded ventures. Crowdcube will source investments, while Braveheart subsidiary Strathtay Ventures will carry out the fund management role.

The minimum subscription by an investor is £2,500, and investors will be accepted into the fund on a case-by-case basis. To qualify for investment a company must raise at least 33% of its required total through the Crowdcube platform.

Darren Westlake, chief executive and co-founder of Crowdcube (below), added: "It makes sense for us to partner with Braveheart which is an established, quoted fund manager with a strong track record."



'European Restructuring Solutions'.



Charlotte Keyworth has joined **Canaccord Genuity** as aerospace and defence analyst in equity research from Oriel Securities.



**NVM Private Equity** has recruited Liam May to its investment team in Manchester from Altium Capital. He trained as an ACA with EY.

Nick Dawson has joined the Birmingham office of law firm, **Irwin Mitchell**, as corporate

partner from DWF, where he was a director with more than 10 years M&A experience acting on mergers. And Rob Laugharne has also joined the Midlands office as senior corporate associate from Shoosmiths.

**State Street Corporation** has opened an office in Shanghai to offer alternative investment servicing solutions to support its clients expansion in China.

Gerard Grech has replaced Joanna Shields as CEO of **Tech City UK**. He joins from BlackBerry, having previously worked at Orange and Nokia.

**Hogan Lovells** has promoted Keith Woodhouse to partner in the firm's corporate practice, focusing on private equity.

**Booz & Company** partners have approved the firm's worldwide merger with **PwC**, which is expected to conclude this month, and will see PwC acquire a corporate strategy and finance team.



**YFM Equity Partners** has appointed Paul Cook as chief operating officer. Prior to joining YFM Equity Partners, Paul was managing director of

Access IS, a manufacturer of electronic equipment.



**TheCityUK** has appointed Nick Edwards as director of policy and public affairs.

**Morgan Lewis** has recruited private equity and investment funds lawyer Tom Cartwright as partner from Taylor Wessing.



Andrew Watling has joined **Quantuma Restructuring** from Begbies Traynor.

# Deal Nirvana

Maximising the multiple when selling a software business can be tough.

**Eddie Harding** of ICON Corporate Finance explains how they cast the net wide to land the big fish



## THE CAREER

Eddie Harding went to school at Glasgow Academy and graduated from Edinburgh University in 1992 with a degree in economics and accounting. He qualified as an ACA with Arthur Andersen in London, and was then seconded to their Sydney office for two years as corporate finance manager. After being promoted to senior manager in the private equity transactions team with a focus on technology and media, he joined ICON Corporate Finance.

## Recent transactions

- Uniform Dating on £7m sale to Cupid Plc
- £3m MBO of Lanner Group financed by Northern Venture Managers
- Aria Networks \$4m VC funding from Seraphim Capital and Capital for Enterprise

## WHAT WAS THE DEAL?

We advised on the sale of my-Channels to Software AG, which was completed in April 2012. The multiple achieved far exceeded management expectations, at more than 6x revenue. Nirvana, the company's high-speed data messaging software, was widely recognised for its performance benefits and used by top-tier investment banks that accounted for 40% of all trades on the global FX market. Paul Brant and Eddie McDaid, who founded the business in 1999, wanted an acquirer that could take the software to the next level. They had 15 customers when they sold it; Software AG had 4,000.

## WHO WERE THE ADVISERS?

We were the lead advisers on the sale, and dealt directly with Software AG's internal due diligence teams based in Darmstadt, near Frankfurt and Reston, Virginia. Bristows provided my-Channels management with legal advice, and Software AG used Blake Lapthorn.

## WHAT WERE THE CHALLENGES?

Communicating the real value of a tech product is always tricky, and conveying its broader potential was particularly challenging. You have a good idea, but you can never know for sure why the ultimate acquirer will want to buy a business. We had interest from a wide range of parties and got that down to a shortlist of four. The my-Channels business was highly profitable, but also had a technology that could be applied to other verticals. The first thing

competitors would try was to downplay the benefits of the product but, if that was the case, why were we still talking? One party we were in discussions with was a direct competitor to my-Channels. It doesn't really matter how strong the non-disclosure agreement is, ultimately they are still the competition, and so you constantly have to be on your guard.

## HOW WAS THE DEAL STRUCTURED?

The lion's share of the consideration was paid in cash up front. A total of 15% was contingent upon achieving qualitative integration milestones over a three-year period, many of which they have already achieved. Less than 3% was performance-based earnout. Software AG wanted management who stayed with the business to focus on the integration rather than just achieving their forecasts, which was compelling.

## WHAT WAS THE KEY LESSON?


Don't just look for the obvious acquirers. Cast the net wider and look for complementary sectors to market the business to. We introduced the founders to a large number of potential acquirers beyond their immediate space. The offers from competitors were a lot tougher valuation-wise, whereas targets from neighbouring markets with a far more complementary fit offered us a "super premium" on the deal. Don't give a price range to prospective buyers - always try to get them to give an indication. Set the bar too high you may lose some, too low you may miss out on a potentially better offer. ■



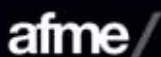
# Cyber security in corporate finance

Cyber security is vital for the UK's reputation as a global hub for corporate finance and to ensure confidence in corporate transactions – for companies, their advisers, investors and stakeholders.

Visit [icaew.com/cfcyber](https://icaew.com/cfcyber) to download the Cyber-Security in Corporate Finance guide, developed in partnership with 12 leading UK organisations and supported by the Cabinet Office and Department for Business, Innovation & Skills.

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Official fuel consumption figures for Maserati Ghibli range in mpg (l/100km): Urban 18.0 (15.7) – 37.1 (7.6), Extra Urban 38.7 (7.3) – 56.5 (5.0), Combined 27.1 (10.4) – 47.8 (5.9). CO<sub>2</sub> emissions 242 – 158 g/km. Fuel consumption and CO<sub>2</sub> figures are based on standard EU tests for comparative purposes and may not reflect real driving results. Model shown is a Maserati Ghibli S at £72,325 On The Road including optional mica paint at £660, 20" Urano design alloy wheels at £1,960, polished aluminium brake callipers at £2,160, fine grain extended leather interior at £2,420 and carbon fibre trim at £1,710.