



The DMH Stallard team collected two prestigious awards at the Insider Dealmakers Awards

A CONFIDENT M&A MARKET

M&A Continues to Grow Regionally for DMH Stallard

Q & A - JONATHAN GRANT, PARTNER

How are you feeling about the market generally?

Confidence and growth across the South East region is increasing our regional M&A business; if anything the frustration is that we have not had as much time as we would have liked to be out in the market. Growth in the firm overall mirrors this with turnover up to £26 million and profits are growing at 10% per annum.

How has the market changed over the last six months?

It continues to gain strength and value. We had a very busy close to 2015, with some quality

Brighton based businesses leading the way - the MBO of Brighton's artisan coffee chain **Small Batch Coffee Company**, and **Capita's** acquisition of e-learning business **Brightwave**.

What have you learned from these deals?

Plan well ahead to get the best return, and (of course) to work with the right advisers! Some acquirers will pay great multiples for quality businesses because organic growth is hard to achieve. The trick is to execute quickly without conceding on value - whether buying or selling.

Any deals which particularly pleased you in 2016?

I was very pleased to be asked to help complete the merger of **Kreston Reeves**

LLP and Spofforths LLP. They are two great local businesses in the accountancy, corporate finance and tax advisory fields, both of whom we have worked with on deals.

Do you win deals on the market or from existing clients?

Both are important but the firm has a great reservoir of clients. We currently have the deepest pipeline of regional clients looking at deals than we have had for years - looking at growth, acquisition and sale.

Cophall Parking Gatwick Ltd is a good example of an existing client deal. Heidi



Jonathan Grant

Copeland, who leads our planning practice, had worked for that family owned business for years, helping them to build a top quality Gatwick parking business. They achieved a great deal with market consolidator Group First - another one completed in a tight timeframe.

Firefly, who operate from a base in Lewes, manufacturing hybrid solar generators for sale around the world. We have helped Firefly to raise funds as they have grown, and sale of their Hire business to Hewden allows them to focus on their profitable core businesses as they continue that growth path.

Q & A - ABIGAIL OWEN, PARTNER

Have you seen any difference in how deals are being funded?

We continue to see deals funded by companies with cash reserves and resources and by the backing of high-net worth individuals. We have noticed an increase in the use of funding from banks, who are trying to come back in the market and by invoice discount providers. This has been notable from an increase in the number of transactions where we have acted for **Leumi ABL Ltd** whose facilities have enabled exits and management buy-outs.

How are you seeing buyers approach transactions?

We have seen that businesses want to continue to grow and carry on business. The recession days of people sitting on their hands and not wanting to do anything with their business are long passed. There is still a level of caution by buyers looking at businesses which means that due diligence is a key element to any transaction. Buyer's are going into a transaction with their eyes wide open and want to know precisely what it is that they are buying. As a seller, due diligence can be very disruptive and distracting, right at the point when a seller needs to focus on the business and the numbers. You can never underestimate the value of getting your company in good order prior to commencing any transaction, and we have seen this with the transactions over the last six months. The owners/directors who invested time in preparing themselves for a transaction were rewarded with the deal proceeding more smoothly, timely and cost effectively with the least price chipping!

Are you seeing deals being structured in any particular way?

Over the last six months, we have seen transactions structured in a multitude of ways. We are finding that parties are being flexible, looking at the end result and how to get there in a way that works for all, where able. We have seen deals structured in the 'standard' share sale manner, as well as the purchase of certain business & assets commonly where it is only part of a business that is being sold. We are also seeing an increasing number of buy-back of shares, as a means of enabling certain business owners to capitalise on their hard work and exit from the business, whilst the other owners stay with the business. Coupled with this is the increased availability of bank and institutional funding. All of this makes for an active market.

What advice have you got for people looking to sell their business over the next 12 months

Most importantly it is never too early to start planning, particularly as regards the advisers you are going to use. This doesn't just cover legal, but also tax, accounting and corporate finance advice. You should not be rushed into any transaction and so the earlier you get your house in order, the more smoothly it will run and the better you will be prepared. Transactions tend to be of two types, either instigated by the owner who wants to exit or by a third party who makes the owners an offer they cannot refuse! There is an old saying, that having your business fit for sale makes either of these straight-forward, whichever stimulates a transaction.

We understand that values have been increasing in the market place. What are you seeing at DMH Stallard?

Prices have certainly increased over the last 24 months and the market is generally very firm. What we are seeing is that initial higher prices being offered and accepted are now under pressure during the due diligence period and if anything values have softened slightly in the last three to six months. Your advisers should be helping manage not only value expectations but also attempted price reductions. Again, by keeping control of the process and understanding your options, you will be able to maximise value.



Abigail Owen

DMH Stallard's Regional Deal Round-Up June 2016

Brightwave

Sale of Brighton e-learning company to Capita PLC

Merger of Kreston Reeves LLP and Spofforths LLP

Cophall Parking Gatwick

Sale of family owned airport parking business to Group First Limited

Takbro Group

Sale of Takbro group to Newbury Investments

E-zec acquisition from NSL Ltd

Acquisition through business and asset deal to expand E-zec's transportation business for the NHS

Multi-office

Veterinary practice

Sale of SE veterinary practice to a fast growing consolidator

Leumi ABL Limited

Funding of the management buy-out of a cleaning and facilities company, which was carved-out from a global business

Finishing Touches (Semi Permanent Make Up) Ltd

Acquisition of shares

Heatherdale Healthcare Ltd

Sale of shares for nursing & care home in Kent

Leumi ABL Limited

Funding of the share acquisition of RDS Group

