



## April 2008

The market continues to reflect the general difficult economic climate; the US housing slump continues, banks appear to face difficulties and forecasters are generally gloomy about the prospects for the economy at large. Despite this backdrop sensible deals are still being pursued and we have a number of negotiations actively reaching critical stages.

There are mixed messages in the market place at present; retail-related businesses, for example, are more susceptible than most to economic mood-swings and unsurprisingly high-street spending caution is feeding back to the results of retail-related companies. We believe that this will prove to be a transient phase, a matter of timing. Indeed while over here Woolworths appears to have turned a corner (albeit partly as a result of property transactions) on the other side of the Atlantic JC Penney is reported as having slashed its earnings and sales forecasts citing "Consumer confidence at a multi-year low". In a period of conflicting and uncertain news both vendors and buyers must look, not to momentary changes, but to the future and the opportunities that are being created.

When we sit between buyer and seller it is our role to view the potential transaction from "Outside the Box" and put arguments for alternative solutions to the parties. Unlike advisers we are not constrained to consider exclusively one side's arguments in an adversarial fashion; Chesham's role is to suggest solutions, compromises and alternative arguments. Of course we have an interest in a deal being concluded; No Deal No Fee is a powerful incentive to ensure all avenues are explored but the counter-weight to the argument that we would try to push for a deal "at any price" is the professional guidance that each side's advisers will give. We are in effect precipitators of ideas and solutions and this is a service few people offer today. There are arguments for taking a side and being a retained professional; but these seem to us to impose on Chesham a consequent obligation to sustain one argument against another rather than sit clearly in the middle and observe and guide discussions to the benefit of both parties. Of course someone eventually has to pay the piper and our model has for many years been to opt for the buyer paying our fee simply as a matter of convenience. When a deal is successfully concluded Chesham is in effect rewarded for having brought the parties together by a mechanism where the fee is paid by the buyer. This saves a great deal of administrative work; a single entity is billed instead of a group of disparate shareholders.

Some buyers resist paying what they consider "Finder's Fees" but that is because they have failed to understand the role that Chesham plays, a role which sadly has been distorted by the many firms in the market who consider deal-making a simple matter of tying up someone, anyone, to pay a fee, preferably in advance. Our terms of reference are clear; we only bring people to the table who have persuaded us they are seriously for sale and who have agreed to work with Chesham. We do not tie up buyers in open-ended agreements; one of our buyers ruefully explained how he had signed up to another firm's conditions only to find that in effect the introducing party had had little contact with the supposed vendor and yet he, the buyer, was now tied by an exclusion period during which the vendor was ring-fenced by the supposed "Introducer". It is this sort of approach that devalues the service that professional firms such as Chesham offer and understandably gives some buyers pause for thought.

We recently helped a small marketing services organisation with its transfer of ownership and as a result this is a sector in which we are carrying out extensive research. Marketing Services, Market Research and Advertising organisations are an area of focus. Although this time last year it was reported that marketing organisations started the year in an upbeat mood with the agencies' trade body, the IPA, finding many more businesses planning budget rises than cuts, this year may not be so buoyant. Nonetheless while industrial, utilities, automotive brands and consumer goods companies have tended to cut marketing spending, service groups, technology providers and retail have tended to increase it. An important element of marketing spend is of course measuring its effect and thus increased marketing leads to increased marketing sampling and quality control services.

Finally, and as a counter to the intangible world of the illuminated screen and the internet, magazines, journals and thus paper-based publishing still play and will continue to play an important role in the mix of information sources used by business men and women. The challenge, when offering a relative minnow for sale is often how to attract the attention of the huge organisations whose management might have forgotten the raw excitement of meeting deadlines, verifying and reporting news, perhaps generating ideas and opinion as well as the more mundane business of writing copy!