



December 2011

In the run up to the year end there is, fortunately enough, a reduction of tension. Business for many companies has not been bad during the year. Manufacturing companies have built up sales to pre-Credit Crunch levels, profitability has held up and in some cases, new products are being brought on to the market. Patent offices are busy lodging new applications and there seems to be an energetic air about. This insofar as potential vendors is concerned. Restaurants, an informal and anecdotal barometer, are as full as they ever have been; the crowds of young men and women outside the pubs after work seem even denser and more animated (if that were possible) than usual.

Buyers on the other hand are more cautious; M&A activity is low owing to worries about the evolution of the Eurozone abound. Reports suggest that deal valuations have shrunk by perhaps as much as 20-25%. The chief concern now is whether European politicians can bridge the differences that separate the southern economies from the North. The solution, fiscal union, is obvious; the political will to implement it is absent even from the most committed European States. In the UK we are squeezed between the uncomfortable rhetoric of the anti-Europeans and the juggernaut of the un-elected European Commission. On balance it was a pity we opted out; surely our ability to influence events is so much weakened? Happily business and commerce has achieved far more than the politicians have. UK companies and not merely consumer-facing operations, operate in Europe and vice-versa. A common market exists!

Business in M&A generally slows down from early December so it is heartening to report that a number of deals are developing despite the season. One thing that cannot be stopped is the clock. We are not immortals and even in difficult times, perhaps indeed especially in difficult times, sensible owners must make provisions for the future of their businesses. This may involve an internal sale to management and/or junior family members financed by banks; an extremely difficult operation to put in place in today's circumstances. Other possibilities include a Trade Sale or a sale to a Private Equity house. Judging the appropriate type of buyer is a matter of experience. Some small companies with a possible market price of say £500k will (unless possessing a highly desirable attribute) be unlikely to attract anyone other than another private individual. Larger companies that might expect to command a £25m market price or more can choose the buyer that best suits their exiting owner's aspirations. Companies falling between these extremes can find themselves too big for the smaller trade buyers or private individuals and yet too small for most Private Equity or other financial buyers. Finding the right buyer with careful discretion is Chesham's forté and with almost 50 years experience and some 1,000 transactions to our name there is no need to look elsewhere when seeking a Merger Broker. We do not ask to be compensated for failure by requesting an upfront payment, indeed we do not ask the vendor to pay anything; we only take a fee when a satisfactory deal is completed. Remember; "You only sell your Business once".

We present everyone with the compliments of the season and join all in hoping for and working towards a better 2012.