



## January 2008

Many column inches have been dedicated to the “Credit Crunch” and its effect on business and economic activity in general. The up-shot is that no-one really knows what 2008 will bring. It is perhaps safer to err on the pessimistic than the optimistic side; after all one is happier when things turn out better than expected. 2007 has been a pretty dismal year on many planes; the weather, various economic and political crises as well as the general feeling of malaise following the credit crunch resulting from the US sub-prime mortgage debacle. It was, curiously enough, a long-expected phenomenon that nonetheless caught everyone by surprise. Whether anything fundamental really has changed from 23:59:59 on the 31<sup>st</sup> December to 00:00:00 on the 1<sup>st</sup> January is a moot point but since investments, despite the volumes generated by analysts, are essentially based on emotions, who knows? At least after the champagne corks popped the world might have seemed, momentarily at least, a slightly rosier place. And what better way to start 2008 than with a brisk early morning walk over the moors or wherever one happened to be? This surely is a piece of advice Chesham can give without reserve! The real world continues its pace despite the commentaries.

We indeed are rather interested to note and it must be said, relieved to remark, that despite these well-documented problems, deals are still being done and people are still looking for opportunities. Some discussions we have been assisting with are leading to an offer which, albeit lower than the exiting parties would have liked, is nonetheless sensible. In addition the deal could be closed before the 31<sup>st</sup> March which will save some CGT!

Chesham now comprises 8 brokers and 3 representatives; in the 1980s and 1990s there were some 10 brokers; we are gradually building up the team. The ubiquitous double click on the name of any of these people on the Key People page will give a brief introduction to them. We range from banking and accountancy to engineering and commerce with other disciplines in between. One of our strengths is our longevity; our “elder statesman” John Harrison has been with Chesham almost since its creation in the early 1960s. We all have varied and complementary experience so despite working in the modern fashion from our bases spread around the country, we meet up regularly for round table discussions on all our deals. Indeed we occasionally invite clients to join us when appropriate.

In 2008 we will seek to spread our net to cover younger men and women with character and experience; our objective will be to transmit the Chesham ethic and experience to the next generation of Merger-Brokers. Merger-Broking does not fulfil an advisory role; this is often a popular misconception. Neither does it fulfil a simplistic introducer’s role. It is a black art whereby a broker, with the benefit of experience, can initially make the correct connection between appropriate buyer and seller and then help guide discussions to lead them to a satisfactory conclusion for both parties. A Merger-Broker cannot take one side or another in a discussion. That would negate the added value he brings to the deal; takings sides is the duty of a retained adviser. However what a good Merger-Broker will do is speak frankly and freely to either side when they are putting parameters on the table that render a deal difficult or indeed impossible to complete. We are the men of the “quiet word” – gentle guidance to ensure that both sides understand each other.

One of the early conversations we have with vendors revolves around the question of value for, with our business model, we cannot afford to be trying to sell something for which the owners have unrealistic aspirations. There is of course no hard and fast rule defining value other than the old saw “what someone will pay”. We might amend that to read “what someone will pay and what someone will accept” for there must be agreement on both sides. The ultimate litmus test must surely be the situation where a buyer spends a little more than he had hoped whilst a vendor receives a little less than he had wished. We find that as the process evolves so do the ideas of value. Experience tempers aspiration!

2008 should be challenging but, we believe, rewarding.