



## July 2008

KISS, the acronym, stands for "Keep It Simple Stupid" and is often used when discussing procedures in situations where reliability and consistency are important. Increasing complexity brings increasing propensity for errors and problems to creep in. For those of you who are sailors the essence of safety and reliability on board is not when the sun is shining and a steady breeze is blowing but when things go seriously wrong and yet everything works as planned. The important thing is focus and simplicity of operation. Only in comedy situations can a complex plot involving a dozen protagonists all fulfilling a minor but essential role culminate in a pleasing resolution of whatever situation is being enacted.

Merger-Broking is an essentially simple proposition; a vendor desires to sell, a buyer desires to buy; the two people do not know each other's intentions or are anxious, particularly in the case of a vendor, to avoid showing their cards or "publically going on the market" and thus contact a Merger-Broker to help in the process.

Our role is therefore to put these two classes of people in touch with each other and then to ensure that they do not trip up in the process of defining their goals. When two people meet there are already a multitude of options to consider; a straightforward sale, a sale with an element of earn-out over a period of time, the protection, insofar as possible, of loyal and key members of staff. These would be some of the issues that would exercise the mind of a vendor. Insofar as the buyer is concerned issues that he must consider would include (but not be limited to); degree of fit, opportunity for development, sustainability of the profits, ownership of the clients, finance of the acquisition and so on. Already a plethora of sometimes contradictory and complex issues have to be taken into account and this for only two parties to the deal!

Sometimes we are encouraged to proceed down an avenue where not one but perhaps three or four parties' viewpoints have to be catered for. The most simple might be where a BIMBO is envisaged with finance from an external source or more complex still, a larger firm is attempting to roll-up several companies in one transaction. In our experience this last scenario is almost certainly doomed to failure for the very reasons of complexity that we have cited in the preceding paragraph and which are amplified exponentially. Such potential deals provide endless scope for meetings, discussions, memoranda, restated accounts and other financial analyses. These documents are then subject to interminable interpretations and so the deal grinds to a halt and eventually fizzles into nothingness. Far better, for a buyer intent on a roll-up, to take deals serially, offer sensible terms and conditions and get each one done before time, momentum and interest are lost.

Some years ago, a large chain of chemists' shops were bought up through Chesham on a one-by-one basis. These serial acquisitions are quite surely the empirical justification for such an approach. Latterly we sold a series of fuel distribution businesses to another large firm which has since consolidated them into a new operation. Had they attempted to buy them in one operation the whole plan would have collapsed and nothing would have been achieved.

We make this argument not for the sake of easing our role, Chesham has the resources to assist in such complex situations, but in order to ensure that deals are completed and that matters move on for the benefit of the parties to the transaction. Better a completed deal under the belt than the prospect of a deal in the future.

This is a pragmatic and practical view and one that has proven itself over the years.