



## March 2009

Although some readers were happy to read in our last edition that some-one at least considered the news to be less bad than is presently fashionable we cannot say that our view was universally accepted! On a lighter note; we have spoken informally to a number of restaurateurs, those stalwart barometers of economic activity, and while they admit that some business, particularly corporate entertainment, has declined they are still seeing good occupancy in their establishments. On a more serious note however, our underlying sentiment is that the current climate has weeded out the buyers with little or no track record leaving stronger more focused groups in selected markets. As far as vendors are concerned however, many are hesitating to come to market worrying what sentiment will be and how their businesses might be valued. An additional element forming part of the decision is the extremely modest return they can expect from money tied up in a bank.

The situation is not entirely straightforward however. While buyers confirm they have funds available to complete deals, they then continue to explain that their funders are still seeking rewards that can only be achieved by marking down the businesses they wish to buy. In other words there is still some way to go before their aspirations match reality. Curiously enough this is a remark that was often levelled at vendors. Valuing one's business is often coloured by Golf-Club anecdote and, it must be admitted, overly generous desktop exercises. Chesham cannot afford to take on potential transactions where aspirations on either side of the equation do not match market conditions.

*“No Deal No Fee” as we have said before ensures we stay focussed on deals that can be done now.*

Some may consider that we are bullish in Chesham. However we believe we are simply realistic optimists. The world will come to an end one day but perhaps not just yet. If you were the Governor of the Bank of England, with all your major clients suffering financial heart attacks, you might be tempted to think that another Great Depression was at hand. Fortunately, the world's central bankers have detailed information about the extent to which printed money led to the problems of Weimar Germany and indeed Zimbabwe. The trillions now going into bank relief are replacing toxic liabilities with non-toxic assets, and the success of this strategy will be to limit the extent of the relief to replacement rather than additional asset creation. So while there are calculated risks in this approach, the boundaries are also reasonably well defined. The problem will be to restrain politicians, ignorant of the deeper technical issues, and who might be tempted to regard such asset creation as a way to increase their share of the vote.

The prospects for the global economy might therefore be considered to be reasonably positive. The more forward looking companies will use this period to put their houses in order and to acquire assets for the future. You might think of Sir Charles Clore buying properties in Oxford Street during the blitz. But companies, unlike banks, are not being supported by state-aid, and will have to repair their balance sheets themselves. In the short-to-medium term, cash availability will remain a problem, and companies which need to raise money may well find that a sale is the only realistically practical solution. The sooner such decisions are made, the more will value be preserved.