



July 2009

The economic news continues to be confused and contradictory. Last month we highlighted two extremes: Honda recommencing production and GM going into administration. This month's commentaries have argued the case for a continuing bear market against those who believe (or hope) the worst is over. The fact is that no-one knows for sure; the fascinating beauty of economics is that it cannot foretell the future with certainty; there is always an element of chance. Even stock-market movements, which may offer an insight into the future, can cloud the underlying situation owing to the vagaries of human interactions. Statistics can only look backwards and take time to collate which is why so many people were surprised to learn that the contraction in the UK economy was not 1.9% as originally reported but 2.5% once construction data had been assimilated. Globally it is accepted that world trade has shrunk by some 30% and as a result transport companies, for example, have been particularly badly hit. Nonetheless at some stage the bottom must be reached and from then on, with greater or lesser momentum, the markets will recover. Meanwhile the positive impact of, for example, a new technology or a political rapprochement that opens an unexpected market on the one hand or an unexpected natural event on the other, cannot be factored in simply because they are unknowns. A persistent concern is the increasing level of unemployment in the United States where the number continues to increase whereas Spain, which has Europe's highest level of unemployment, has actually seen a 1.5% downturn. *"The figures in recent months have been better than expected"* according to analysts. The human spirit is however resilient and while on a macro-economic level the situation still appears gloomy, entrepreneurs are still completing deals and still see opportunities opening.

A deal that was recently announced and which we initiated, neatly demonstrates the useful role we play. Chesham is not retained in the formal sense that is understood nowadays by either party to a transaction; we are brokers, we speak to both buyers and vendors independently and only when we see the potential for a deal do we make the introduction. This methodology allows us to approach the market in a professional manner without the restrictions concomitant to a specific mandate from one party or another. The beauty of this arrangement is that when Chesham sits with buyer and seller around the table, the conversation is not lopsided; we are three *equal* parties working together to close a deal. In the example of this deal our initial conversations with the buyer did not encompass the precise business to which we introduced him. However we, in the knowledge of what both parties were seeking, realised that if an introduction could be arranged, a deal was very likely to follow and this proved to be the case. It is often said that a buyer only discovers what it is he wants to buy when he is actually faced with the opportunity. A buyer's brief is therefore only a pointer not a delimiter; we use it as a springboard for ideas not a fixed definition of intent.

Chesham seeks its fee from the buyer; this is a matter of convenience; the buyer, figuratively speaking, has his cheque book out and he in effect rewards Chesham on both his and the vendor's behalf for having initiated the contact. It is made clear at the outset to all sides to the potential transaction that the vendor will in some undefined and indefinable fashion contribute to the Chesham fee. When the buyer tots up the costs of the transaction and decides what his offer will be and what his degree of flexibility might be during negotiations, the amount of the Chesham fee is encompassed in this calculation. The ultimate litmus test of a successful deal is one where perhaps both sides are slightly disappointed, one receiving slightly less than he has hoped, the other paying slightly more than he had expected.

Despite the confused spectrum of news, confidence, the heart of all business transactions, is returning according to the CBI. The cycle of business sales and acquisitions continues and will continue despite the economic climate. It is at times like this that a professional firm such as Chesham should be consulted because, as we like to remind people, you only sell your business once!