Chesham Amalgamations

September 2009

The summer is over; and with the passing of the season so, it seems, has the crust of confidence that was trying to coalesce in the markets. Sentiment in the press on the 1st September seems somewhat subdued and one has very much the feeling of the "first day back at school". In today's world, matters hardly have time to develop before comment, either adverse or encouraging, overtakes and sometimes conspires to blur the situation. Having traded through a number of downturns our view is more sanguine; times are tough but business is business and there are quality deals to be done, just less of them.

Confidence, an essential ingredient of business life, has been returning to markets albeit slowly. When we speak to owners of private business these days we hear of plans to expand business sometimes by straightforward (sic) growth and sometimes by acquisition. These are the conversations of business realists; it is far better maintain some momentum rather than stand still waiting for competitors to lead a recovery.

On the macro-economic front, France and Germany reported an increase in business confidence, even a degree of optimism, as their economies started to gain a little momentum; in particular Germany saw fairly significant increased exports fuelling hopes that the recovery would, after all, prove to be at the very least a U-shaped incident! This news is good news but its effects still have to be dispersed throughout Europe. One of our buyers, a prominent German concern, has been frustrated in its attempts to acquire an English company over a period of nearly 18 months owing to the situation; it is still waiting for its banks to start lending again. Meanwhile another UK-based buyer we are working with has recently made an attractive offer for a business which we recently introduced to him. Once again (but with more confidence than the Germans) he is seeking and expecting to raise finance. It is an interesting commentary on national differences that while the Germans are more hopeful about their export-led economy it is the British who are re-entering the market first.

During the month it was reported that manufacturers are commencing to re-examine global supply chains against the backdrop of an increasingly unfavourable ecological and logistical climate in favour of less adventurous models. As it happens some years ago we were assisting in discussions regarding a manufacturer of specialist containers. The debate then was; should the UK or the overseas factory close? Containers after all are merely empty air surrounded by a material. This debate was in effect a pre-cursor of current concerns and was in fact never resolved. To-day presumably a regional solution would be advocated.

For those who service major industries this can only be good news; a machine shop for example which, over the years, has seen itself reduced to a final fit-out operation based on product manufactured elsewhere can look forward to increased business demanding increased skills. British industry may yet be saved!

During this relatively quiet month we have seen one deal move into Due Diligence and others nearing offer and exclusivity. Despite fears about subdued demand, despite concerns about public sector finances investors are looking for ways of making their money work. Significant cash piles at the bank offer returns not worthy of the name; indeed a Scandinavian Bank has hit on a novel negative deposit rate scheme whereby the cost of storing wealth (other than under the mattress) is factored into the interest charged. Interesting but what will our successful vendors do with their cash piles? September will be a busy and an interesting month…