



November 2009

The straws in the wind are gathering. The Dow-Jones breaking the 10,000 barrier last month our own FTSE breaking through the 5,000 level, the news that some countries (unfortunately not ours) have commenced reporting growth, albeit small, news that inventories are depleted and that therefore orders are picking up even in the motor industry and finally the news early this month that GM have decided, at the eleventh hour not to sell their European operations to Magna albeit that they later proposed possible jobs cuts.

The disappointing news on the British economy is at least counterbalanced by the view that exports are improving helped by the weakening pound. Improving your national terms of trade by means of devaluation can only offer a short term solution giving breathing space to hard-pressed manufacturers. We indeed are heartened by visits to some factories where exports account and have always accounted for the large majority of production to destinations in Europe, in the United States and even in the Far East!

The retail sector is approaching a period in the year which is considered “make-or-break” – fortunately among the major High Street business there appears to be a return of confidence. Sir Stuart Rose, for example, has said the worst is behind us and indeed so it seems. Indeed, a recent CBI survey of the sector recorded an increase in the level of sales in October with the expectation that the trend would continue to improve into November (and thus hopefully through the holiday season).

We are finding that transactions albeit, with some difficulty, are progressing and that both buyers and sellers are having sensible discussions both as to price and as to the transition process. Desktop valuations prepared by advisors are being largely put to one side as we bring serious buyers to the table. It is always dangerous to quote specific figures because individual circumstances vary so much. However we can report that we are finding that offers have softened by some 10 to 20% from the values that were being proposed before the current crisis depending on circumstances. As a result of our “No Deal No Fee” stance we at Chesham look to the market to set the price rather than to base ourselves on valuations which may themselves be out of date.

The discussion on value is often the most difficult we have when meeting vendors because it takes place at an early moment in our relationship with them thus they can be forgiven for believing we are lowering the sights merely in order to achieve a sale. The counter to that argument is partially the fact that our fees increase as the price obtained for the company increases but it is further reinforced by our preparedness to accept the vendor’s ultimate decision as regards the sale. He thus remains in control. Insofar as Chesham is concerned therefore we only take on commissions where our view on value matches, reasonably closely, the vendor’s view.

As often at times of change there are moments where business and its counter-part, consumer confidence, seem to mark time. It seems to us that we are through the worst but that difficulties abound. Private buyers with excellent track records are finding it harder to raise funds and cash buyers (indeed there are some) are running across issues at Due Diligence which, in more buoyant times they would discount.

It is at times such as this where a well-established Merger-Broker such as Chesham can add value to the process. People or larger organisations will always need to sell their businesses at some time or another; fresh owners will always believe they have better ideas than the exiting owners, especially in times like this. You only sell your business once so please do contact us for an informal and confidential conversation.