



Nov-Dec 2015

Last month we wrote that despite the rather unexpected (but possibly more democratic) election of Mr Corbyn to the leadership of the Labour Party it will be the forthcoming Referendum on our continued membership of the European Family of Nations that will be the main driver of business sentiment. This is a self-evident truth; our country is so heavily enmeshed in Europe both as a result of our membership which is relatively recent history but mostly, we believe, as a result of the enormous role and resultant price in lives lost and financial cost in the first half of the last century during two wasteful World Wars. Indeed if one looks further back in history we have played such an important part in European life; as role models and as protagonists in multitudinous conflicts over the centuries. Britain out side Europe is, in today's world, unthinkable.

Turning to M&A; on the global stage the overall value of M&A deals continues to rise but the number of deals is shrinking; thus the market is dominated by some very large deals which distort the statistics. At the £5m-£25m level where we mainly operate things have been slow. People balk at the last minute citing worries about the future and the effect of a negative outcome to the Referendum. The likelihood of an exit, despite the rumblings "off stage left" from the Euro-sceptic group of Conservative MPs which are, fortunately enough, merely rumblings with which we have had to live over the past 30 years is slim.

One element of rising concern is however the dearth of Private Equity and Venture Capital deals. This is as a result of increased scepticism by owners of the benefits of such deals. Owners, despite aiming for the best possible deal for themselves and their families, nonetheless have a refreshing and essentially decent outlook: most do not wish to walk away with millions only to see their business being run into the ground owing to over-enthusiastic gearing. As an owner remarked to one of our number, he has to continue to live in the community.

We are seeing rather more interest in what is still a difficult market. Unfortunately the past 5 years have taken their toll on many companies which are trading below the levels they enjoyed in the past. Whereas 4 or 5 years ago they reported EBITDAs in the range of £600k today they report perhaps some £5-400k. Added to this their debt has often increased meaning that the business is worth less to the (older) owner; this makes the difficult decision to sell even more difficult. But time will not let us be...

If you are seriously considering the sale of your business it is important you speak to an experienced and knowledgeable broker; companies are not sold on a push-button basis, so talk to Chesham because you only sell your business once!