



Jan-Feb 2018

A very Happy New Year to everyone!

The market has been rather mixed. A recent Barclays study reported that sales of smaller private companies had increased to record levels in 2016 – possibly 2017 will be no different. Before ardent Brexiters mutter something about rats it is worthwhile considering a number of elements. An company owner having worked over a period of say 25 years to build up a business would be wise to divest himself (if he can) before the deluge that is to come. The next 10 or possibly 20 years will be played out against a completely different backdrop to that which we have come to know over the past 40 years. It is sensible, having resigned oneself to the likelihood that valuations will not reach the giddy heights of yesteryear, to pass the baton on to younger entrepreneurs who have at least grown up in the current climate and are more attuned to its rhythms.

Our closest and most important market is European; like it or not we are tied to our neighbours and always have been geographically, economically and politically. In the last millennium we have both fought wars and have made peace with various European countries. After the grisly excesses of the two World Wars philosopher politicians realised (including our revered Winston Churchill) that a different approach was required to inter-European relations. Various bodies came into existence and eventually morphed into the EU which some of us love to hate. That there are issues surrounding the management of the EU is certain; that we serve our best interests and those of our friends in Europe by running away from them is not. Meanwhile the rest of the world much of which we, along with other European countries, colonised has moved on; they have created their own blocs. It is laughable to think that a solitary Britain can trade on equal terms with these blocs. And as for the special relationship: Mr Trump is not going to do us any favours unless it suits his view of the USA.

The world is not therefore as it was in 1900! Today there is much talk about the greatly increased export sales owing to the devaluation of sterling; this is an illusion as any first year student of economics will know. Competitive devaluation can only be sustained for a short period and is ultimately self defeating.

There a general reticence to make a move (that is to consider a sale) in the largely traditional industries. Modern (in the main IT-related) businesses have always been more prepared to talk to acquirers and to close deals; this is a natural consequence of the fast-moving nature of this sector. As we remarked a few newsletters ago we all, very thankfully and happily, enjoy better health; the issue for a company owner is, as always, when in the cycle is the correct time to consider a sale? While age is an element in the equation, the general economic climate is much more significant.

Time and Tide wait for no man; people will reach a time in life where a sale of their business must be contemplated. Whereas 50 years ago 60 seemed to be a sensible time in life to consider a sale now 70 seems to be the threshold and how marvellous is that? Nonetheless when the time to sell arrives it is sensible to speak to an experienced and knowledgeable broker; companies are not sold on a push-button basis; talk to Chesham because you only sell your business once!