



## Sept-Oct 2017

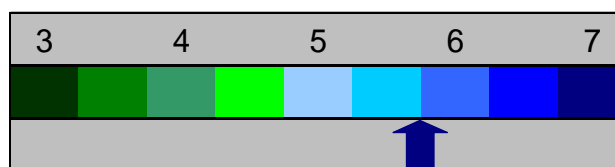
The country limps on. Realism is sinking in. When will it strike the zealots in Conservative Headquarters? Mrs May has been told quite clearly by her Japanese hosts that they want Britain to stay within Europe. They were, after all, encouraged by Mrs Thatcher to come to the UK in the first place to use as a springboard to enter the European market. Now they are being left high and dry.

This has been a very curious time in the M&A business world. The market is wearing the leaden boots of a hugely devalued currency with no prospect in sight for any improvement. We have been talking to many potential vendors who although attracted by the idea of a sale are reticent to take the decision because of worries about both the present uncertainty and the future. The hope is often that things will turn out better than they fear and thus they delay a decision. Unhappily we are – as the press like to remind us – in uncharted waters and no-one knows what rocks may lie beneath. Meanwhile domestic buyers are mixed: some in the service sector are keen to seek out deals. In the manufacturing sector things are less buoyant. Overseas buyers, often seen as the panacea for vendors seeking premium prices, are simply waiting to see how far sterling will drop.

We have written about one client whose business has imploded. Things are not looking good for him. Others who built their business on the basis of expanding in Europe now find themselves in a cul de sac. English language schools are seeing enrolments from Europe drop, fewer than ever nurses have applied to work in the United Kingdom and so on...

The Brexiters talk about regaining sovereignty and control; however this is retrospective thinking. The world of empire has long gone, the arrow of time points only in one direction and it is simply no good planning for a golden future unfettered from the need to cooperate with our European neighbours and friends. The actual golden future lies in moulding the EU into a better organised and run institution. It is, in a perverse fashion, possible that our move has sufficiently shaken the comfortable world of those in Brussels and encouraged them to think more carefully. Time will tell.

Insofar as market aspirations are concerned we conclude that the market will probably bear a multiple of between 5 and 6 times earnings adjusted for owners' costs. These must however be realistic. Owners for example who pay themselves a low salary and take their money through dividends ought not to be surprised when a buyer reduces the pre-tax figure by deducting a more realistic management cost. At present our Barometer stands at a shade under 6 reflecting the uncertainties of our times:



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 a sale is considered 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!