

SMITH COOPER



Deal DISPATCH

ISSUE 25



insider DEALMAKERS EAST MIDLANDS SME
DINNER 2016 DEAL OF THE YEAR

insider DEALMAKERS MIDLANDS SME ADVISORY
DINNER 2016 TEAM OF THE YEAR

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WELCOME TO ISSUE 25

WELCOME

It continues to be business as usual for Smith Cooper Corporate Finance with a host of deals being completed post the referendum and more completions expected over the coming months. No wonder we won SME Advisory Team of the Year!

Looking forward, whilst we will continue to operate in an uncertain market, we expect M&A to continue robustly.

We are currently seeing an increase in purchasers approaching companies directly and undertaking 'off-market' transactions. This trend could be related to the uncertain conditions we face, with clients now seriously considering approaches they would have dismissed previously. We strongly recommend vendors take advice to make sure their businesses are not undervalued; something we have seen on a number of occasions.

Additionally, changes to legislation in the VCT market limiting how funds can be used has resulted in a number of VCTs holding cash piles which they are unable to invest as quickly as they would like. For companies seeking growth finance this is a great time to raise the funds - there are some compelling deals available and the VCTs are very creative and flexible in what they will look at.

Finally, over the next 2 years our expectation is that the nature of transactions might start to change.

Whilst we still expect some business owners to seek outright sale we believe others might prefer a partial exit, given the economic uncertainty. We are already holding more conversations about partial exits with business owners seeking partners to help position their businesses for the 'new economy' whilst also providing the vendors with some cash-out.

Such deals can be structured so vendors retain a significant amount of control and de-risk whilst still benefiting from any future value growth; a win win.

The current banking and equity markets are such that there are plenty of funds available to look at cash-out transactions which can be structured tax efficiently for vendors.

These are interesting times during which we will continue to apply an innovative and creative approach to ensure we meet our clients' objectives.



Darren Hodson, Partner

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SMITH COOPER NAMED SME ADVISORY TEAM OF THE YEAR

We are delighted to announce that we have won SME Advisory Team of the Year at the Midlands Insider Dealmaker Awards 2016. This is on the back of winning the East Midlands SME Deal of the Year in 2016 and 2015.

The Insider Dealmaker Awards are an extremely prestigious and well regarded event in the Midlands calendar, bringing together all strands of corporate finance professionals who have been busy successfully structuring and managing deals over the past 12 months.

Smith Cooper was shortlisted for two categories; SME Advisory Team of the Year and SME Deal of the Year at the 2016 Awards, which took place on 15th September at Birmingham's Hilton Metropole Hotel, and on the night scooped the SME Advisory Team of the Year. This award was strongly contested, Smith Cooper beating off competition from Odyssey, Jasper and Dains.

Darren Hodson, Corporate Finance Partner in Birmingham commented: "We were delighted to be short listed for two Awards, but winning SME Advisory Team of the Year was a tremendous honour, especially as it is voted for by the Midlands professional community. It pays tribute to the hard work of the whole Smith Cooper team and our growing reputation for Corporate Finance Services across the Midlands and, increasingly, Nationwide.

Insider reported Smith Cooper as being "Key to helping Derby County FC Chairman Mel Morris take sole ownership of the club by buying out his US partners" and referenced our role in the Zip Textiles deal which was nominated for SME Deal of the Year.

That deal was led by Smith Cooper's Darren Hodson who acted as lead advisor to Zip Textiles on the £17m sale to Johnson Services Group.

In 2015 Smith Cooper Corporate Finance had a record year, ranking 9th in the Midlands in terms of deal volume in the Experian Rankings.



COFFEEPOTS LIMITED

It's not uncommon to take coffee after a pizza, but the recent sale of Coffeepots Limited, the operator of 6 Costa Coffee outlets in Scotland, takes this to a whole new level.

The company has recently been sold to CP Properties Limited, a company owned by two private investors who, until very recently, ran successful chains of Domino's Pizza outlets.

The multi million pound deal was initiated, and full deal management services were provided to the Sellers, by Smith Cooper who acted as lead deal advisers. Smith Cooper Corporate Finance have a specialism in franchise, a sector in which it dominates the UK deals market for fast food and drinks. Head of Corporate Finance, John Farnsworth, commented: "we were delighted to have secured an exit for the Sellers, Kathryn and Dennis Evans, which properly reflects the quality of the business which they worked hard to build up to class-leading standards".

Dennis and Kathryn Evans, were early adopters of the Costa brand starting their business a decade ago. In subsequent years they developed 6 very high-performing stores, mainly located in shopping centres and retail parks rather than in traditional high street locations, employing around 85 staff. The stores, which are situated in the Glasgow area between Greenock in the West and Falkirk in the East, are exceptionally well run, repeatedly achieving the highest scores in the system for the regular Costa checks.



CP Properties Limited is owned by Colin Wilson and Pat Dunese, both of whom operated very successful Domino's franchises in the Glasgow area until their recent sale. CP Properties, which has been able to neatly switch its senior management team from operating Domino's to running the newly acquired Costa business, plans to continue growing the business and the Costa brand in Scotland.

David Crump commented "the buyers' intention to maintain the high standards and develop the brand is backed by the principals' very successful track records in the Domino's brand – which bodes well for staff, the business and the Costa brand".

Commenting on the deal, Kathryn and Dennis said "We have great admiration for the team at Smith Cooper Corporate Finance who are experts in their field. We could not have achieved the deal we did without them on our team. John and David worked tirelessly on our behalf and we appreciate the fact that without their guidance, knowledge and relentless, dogged

determination to get the deal done we could not have achieved our goal. They were professional, dedicated to our cause and just good fun to work with. We have no hesitation in recommending their services."

Costa Coffee is a global business operating in around 30 countries and is owned by Whitbread PLC. It dominates the UK coffee shop market with over 2000 stores, about 41% of which are franchised, and operates around 4700 Costa Express machines. Whitbread operates in 30 countries and plans to grow worldwide store numbers by 200 in 2016, targeting £2.5bn of global sales by 2020.

KERAMIKOS LIMITED ACQUIRE STAKE IN THERMALMATE UK LIMITED

Keramikos have acquired a large minority stake in Thermalmate UK Limited, the UK's leading supplier of Sports Water Bottles and Thermal Mugs.

The deal was initiated, and full deal management services were provided to the Shareholders of Keramikos, by Smith Cooper.

Alfreton based Keramikos, founded in 1988, has become one of the leading UK trade only suppliers of printed promotional Ceramic, Glassware, plastic mugs and tableware. The products are all UK produced, using British tooling, and are recyclable. The company has strategically expanded over the years to incorporate other companies in the industry, to add to its range of specialist print services.

Thermalmate UK Limited is the UK's leading supplier of Sports Water Bottles and Thermal Mugs and is based in Stockton-on-Tees. They take pride in practical innovation and their products reflect 25+ years' experience in developing leading edge quality reusable plastic water bottles and stainless steel thermal mugs. Thermalmate will continue to operate as a stand-alone brand within the Keramikos Group and is making considerable investment in new technology and products.

Smith Cooper's David Nelson commented: "we are delighted to have provided advice to the Keramikos shareholders on their purchase of a large minority stake in Thermalmate. The deal further strengthens the range of products the group can offer and adds to the quality brands that they can provide to the industry. It is very satisfying to work with a company that has such an innovative strategy and vision. We wish them ongoing success."

DE-RISK YOUR BUSINESS NOW?

An owner's business is valuable but that value can fluctuate like a commodity. Knowing when to exit and how, is critical in achieving best value. The optimal timing of an exit is difficult to predict and this is where alternative options to an outright sale – such as a partial sale where you keep control - can become important.

The banking and financial crisis that the world suffered, seems only yesterday (in fact it was 8 years ago!). A lot of business owners felt that they had only just managed to recover from that shock, when the Brexit vote came. Regardless on your views on the outcome of this, there will be some uncertainty over the next 2-3 years. However, business owners do not necessarily have to suffer that uncertainty and many are opting to crystallise some value into cash, whilst continuing to trade their business.

Using a cash-out structure they can have the best of both worlds, ring-fencing some wealth in the form of cash, and retaining upside potential by continuing to grow the business.

The current banking and equity markets mean that there are plenty of funds available to look at cash-out options, and the money can be received tax efficiently. We predict many business owners will start exploring this route.

If you wish to discuss further then please contact a member of the Corporate Finance team.



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