

Deal DISPATCH

ISSUE 29



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DEALMAKERS AWARDS 2018 WINNER EAST MIDLANDS SME DEAL OF THE YEAR

DEALMAKERS AWARDS 2018 WINNER EAST MIDLANDS CORPORATE FINANCE ADVISORY TEAM OF THE YEAR

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DEALMAKERS AWARDS 2015
EAST MIDLANDS SME DEAL OF THE YEAR

DEALMAKERS DINNER 2016 EAST MIDLANDS SME DEAL OF THE YEAR

DEALMAKERS DINNER 2016 MIDLANDS SME ADVISORY TEAM OF THE YEAR

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WELCOME TO ISSUE 29

WELCOME

Welcome to our Deal Dispatch Newsletter in which you'll find some of the wide range of deals we've completed since the last edition.

It's been another great year so far, with around 25 deals completed by our 3 corporate finance teams in Derby, Nottingham and Birmingham in the 10 months to the end of October 2018; and we expect to achieve around 30 completions by the close of the year.

You can also read about our biggest ever haul of awards on page 7.

So far in 2018, we've been surprised by the robustness of the M&A market and pricing given the national and international backdrop, including the US/China "trade war", the global stock markets' correction in October, increasing debt costs as QE is reversed, and of course Brexit. We suspect a lot of this is already built-into expectations and this, together with the strength of Private Equity appetite and the wide availability of debt (still at historically low coupons), has shored up the market very significantly. Trade appetite may have waned slightly but we suspect

this may be a temporary thing (pending more clarity on Brexit) and the continuation of easy access to funding will, we think, support sustained high M&A activity into 2019. This may indeed be fuelled by recent subtle changes to Entrepreneurs' Relief (see inside for details) which should alert business owners to seriously consider the timing of any impending exit plan - to avoid being caught by any further tightening of the eligibility rules, or even its withdrawal.

With our best wishes for Christmas and a healthy, prosperous 2019.

John Farnsworth



John Farnsworth
Corporate Finance Partner

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GOLDEX PASSES THE BATON TO AM COFFEE HOLDINGS

Goldex Investments Limited, until recently the largest franchised Costa Coffee store operator in the UK, has just sold 14 of its 60 stores to AM Coffee Holdings Ltd in a multi-million pound transaction. The stores were all owned by subsidiary, Goldex (Surrey), which operates stores in shopping centres and high streets in the Surrey area.

Goldex Investments Limited, which also operates the Kaspas desserts brand as well as Costas, is owned by Diljit and Satnam Brar who turned to specialists at Smith Cooper Corporate Finance to assist them with the sale. Since the opening of the Bromley and Orpington stores in 2006, the owners have developed an excellent, autonomous management team to operate the Surrey business, which employs around 120 staff who will remain with the business.

AM Coffee Holdings Ltd is owned by Ajaz Mirza and Ahsan Munir, seasoned businessmen with multiple business interests including, until recently, the operation of Domino's franchises in the London area. Head of Corporate Finance, John Farnsworth, commented: "We are delighted to have had the

opportunity to secure the sale of this Surrey business on behalf of Diljit and Satnam, whom we have known and held in high regard for many years. The transaction reflects the quality of the business which they built up, and at an exemplary pace". Corporate Finance Senior Manager David Crump added "Ajaz and Ahsan are highly experienced buyers and intend to develop the Costa brand; we wish them every success with that".

Commenting on the deal, Diljit Brar said "I've known John and David of Smith Cooper Corporate Finance for years and, being well-known for their expertise in this field, appointing them to this important transaction was a natural choice. They were professional, showed dogged determination to achieve our objective, and were good fun to work with. I doubt we would have achieved the deal without them on our team and have no hesitation in recommending them."

GOLDEX

RECORD-BREAKING UK PIZZA HUT DEAL



London-based pizza delivery business, KMP Taste Limited, one of the UK's largest Pizza Hut Delivery franchises, has been sold to Zaf Holdings Limited in a multi-million pound deal advised by Smith Cooper Corporate Finance.

some years before the sale process began, during which time they built a large, market-leading and profitable business."

The sellers of KMP Taste were three brothers from the London-based Patel family, private shareholders with a variety of business interests. Zaf Holdings Limited, is a newco set up by Arif Jivraj, a private investor with wide-ranging expertise in franchised food retail.

David Crump, Senior Corporate Finance Manager, added "we are delighted to have placed the business with a leading retail franchise expert, Arif Jivraj, whom we have known for some years. He has ambitious plans and is certainly capable of accelerating the growth of the Pizza Hut brand in the UK."

Commenting on the deal, John Farnsworth, Smith Cooper Corporate Finance Partner said "this transaction, involving nearly 30 stores and over 500 employees, breaks size records for a UK Pizza Hut deal, certainly in recent history. We are privileged to have worked with the Sellers for

Viresh Patel, the brother leading the deal for the Sellers, described Smith Cooper's "hard work, professional approach and candid advice as being key to getting a deal done, and invaluable."

FT FOODS ACQUIRES LONDON KFCs TO GROW FAMILY RESTURANT OPERATIONS

FT Foods Limited, a newly incorporated Company owned by Fazan Tahir, has recently completed the multi-million-pound acquisition of 7 KFC restaurants in London. The restaurants were acquired from KFC UK & Ireland, forming part of its wider refranchising programme. The acquirer was advised by sector specialists, Smith Cooper Corporate Finance.

FT Foods is part of a wider grouping of companies created by the successful Tahir Group, a London-based property development and investment group operating KFC restaurants and Starbucks Coffee shops. The group was started up in 1978, Fazan entering the business in the mid-1990s and quickly developing to become the principal executive operator. Under his stewardship the KFC operations have grown faster organically than any other franchisee-owned business in London and, since the early 1980s, have won a continuous stream of operational and customer-service awards. The family businesses now very successfully operate 25 KFC restaurants.

Food and beverage specialists, John Farnsworth and David Crump, at Smith Cooper Corporate Finance assisted FT Foods in developing a bid document, agreeing terms with KFC's advisers and project-managing the transaction through to completion.

Commenting on the transaction, Fazan Tahir said "this deal is a significant step in my journey from my start in 1994 to what is today a multi-award-winning, multi-

million-pound sales KFC business. I am very proud of our innovation, numerous awards and my outstanding team with its best-in-class culture. We intend to take the acquired restaurants forward and to add additional outlets, just as we always have done. He continued, "as to the deal process, that has been a huge project that I couldn't have completed without my internal team and the Smith Cooper Corporate Finance team. I have known John and David for some time and contacted them right at the start of this process; that turned out to be a key decision and I was tremendously impressed by the professionalism, determination and focus they brought to the delivery of their invaluable input".

Head of Corporate Finance, John Farnsworth, commented "David and I are delighted to have worked with Fazan, his team and advisers, and with KFC and their advisers to secure this important acquisition for the Tahir Group. We really enjoyed working with Fazan's highly-motivated award-winning team, and have no doubt whatever that the business will continue to grow at an exemplary pace whilst still maintaining top operational and service quality – this is an exceptional business". David Crump added "it is easy to see why the Tahir's selected KFC as their flagship brand; owned by Yum! Brands, an international business that also operates the Taco Bell and Pizza Hut brands, KFC is one of the world's most recognisable brands. It was started by Colonel Sanders in the 1950s, since growing a portfolio of over 21,000 restaurants globally". It is undoubtedly a leader in the QSR field".



LANDMARK MBO OF MARKET-LEADING ONLINE GARDEN RETAILER

Completion of a landmark private equity led management buy-out with Europe's largest dedicated online garden products retailer, Primrose, has been finalised in a deal advised by the Corporate Finance division of Smith Cooper.

Established in 2003, Primrose offer their customers market-leading garden and outdoor leisure products including water features, awnings, sail shades, pest control products, planters and screening.

Primrose source their products from suppliers in the Far East and sell direct to the UK and European consumers via its websites.

Smith Cooper Corporate Finance initiated the deal, working with Mark Pearson, former CEO of Gardman Group and Solus Garden & Leisure, to identify acquisition opportunities. Primrose became the preferred investment because of its market-leading position and extensive range of own-brand products.

Smith Cooper also supported on raising equity and debt finance, the buy-out ultimately being financed by Rockpool and OakNorth, with Rockpool becoming the majority shareholder of the new group.

Mark Pearson, who has become Primrose's new CEO commented "I appointed the Smith Cooper Corporate Finance team to create this deal for me. They identified the target, raised the finance and supported me through the whole process. The team's dedication to getting the deal done was exemplary. Not only were they innovative but they also had the tenacity to make it happen. The team involved were highly professional in their dealings with vendors, PE house and Primrose management."



ANOTHER SPLENDID DEAL

SCCF recently assisted the Splendid Hospitality Group in its latest acquisition. The deal saw Splendid Restaurants (Harland) Limited acquire 22 KFC restaurants in Birmingham and the North East, together with 5 associated freeholds, from Kentucky Fried Chicken (UK) Limited as part of the wider refranchising of around 180 stores undertaken by the franchisor.

The Splendid Hospitality Group is one of the UK's fastest growing privately owned hotel and hospitality groups whose portfolio spans from London to Bristol to Scotland. Splendid first entered the KFC brand in Spring 2017 in another deal advised on by SCCF; the latest acquisition brings Splendid's restaurant numbers to more than 40.

Smith Cooper's role included reviewing the performance of the target restaurants and providing detailed commentary on Splendid's forecasts to its board and its funder.

Smith Cooper have deep sector knowledge in the food and beverage sector and have, over the last 15 years or so, become leading advisers in the QSR and franchise sub-sector. This knowledge enabled us to provide valuable insight into the target stores' historic, current and comparative performance against KFC norms.

Splendid's CEO, Stuart Bailey, commented on Smith Cooper's work saying "many thanks for your assistance and speed of service.....superb!"



ENTREPRENEURS' RELIEF – THIN END OF THE WEDGE?

On 20 October the business-owning community breathed a sigh of relief as Entrepreneurs' Relief (ER) survived the Budget, albeit with some tightening of the rules that many think could indicate the "beginning of the end" for this valuable relief.

ER, which can effectively reduce capital gains tax (normally 20%) on the disposal of business assets to just 10%, has been an increasingly generous and well-used relief for years and the Chancellor's recent tweaks to eligibility were an unwelcome, but long-expected, intervention.

In essence, subject to compliance with certain other detailed conditions, a shareholder was eligible for ER if they were an officer of a company, owned at least 5% of the ordinary share capital and controlled 5% of the voting rights for a qualifying period of at least 12 months immediately prior to the date of sale. Each individual has a lifetime limit of £10m of gains, meaning that husband and wife vendors can get up to £20m of gains on qualifying disposals taxed at just 10%.

The main changes:

In future, in addition to the rules above:

- firstly, shareholders must be beneficially entitled to at least 5% of the profits available for distribution to the equity holders; and
- be beneficially entitled to at least 5% of the assets of

the company available for distribution to the equity holders on a winding up.

- secondly, from 6 April 2019 the period during which the qualifying conditions must be met will double, from 12 to 24 months.

The technical definition of "equity holder" is wider than ordinary share capital and may now include some preference shares and non-commercial loans. This could, therefore, affect the ER eligibility of those with interests in companies that have large (non-bank) borrowings.

The new regulations could also deny ER to companies with multiple classes of shares (for example, alphabet shares) for which the board can vary the amount or percentage of dividends payable on each class of share.

What can you do?

We recommend clients ask for our tax consultants' help in assessing whether the new 5% distributable profits/capital distribution tests are met, and to see if any actions or elections could sustain eligibility for ER.

On a more macro-level, we strongly recommend clients take account of these changes, alongside other considerations such as their company's performance and trends in the M&A market, in assessing the optimal timing of an exit.

CATS EYE SALE

Cats Eye Trading, a South East-based Costa Coffee franchise operator, has been sold to an experienced franchise entrepreneur in a deal initiated and project-managed by Smith Cooper.

Ian King, shareholder of Cats Eye Trading Limited, which operates a cluster of Costa Coffee franchise stores in high street locations in Surrey, sold to Kashgroup Trading Limited which is owned by experienced entrepreneur Kash Jaffar, an operator of Budgens and Pizza Hut Delivery franchises.

John Farnsworth commented: "we are delighted to have

secured a successful exit for Ian King who has enjoyed 12 years in the Costa system. In this time, Cats Eye built an excellent reputation for high operating standards and customer care. The acquisition forms a strong platform for expansion for Kashgroup, which is a new entrant to the Costa brand."

Ian King praised Smith Cooper's service, commending "the excellent support, expert advice, determination and perseverance of the Smith Cooper team" in delivering his exit.

SMITH COOPER HAULS-IN 3 MORE AWARDS!

2018 has proved highly successful for our Corporate Finance team which scooped up 3 more industry accolades at the Insider Dealmakers Awards.

DEAL OF THE YEAR

At the East Midlands Insider awards in May we won the SME Deal of The Year for the £3m development funding for 200 Degrees. This is the fourth consecutive year that we have been awarded Deal of the Year, which recognises outstanding performance in deal generation and execution.

Of the deal, Partner Dan Bowtell commented: "We are delighted to have been recognised for our involvement in 200 Degrees capital development deal. 200 Degrees is highly renowned locally, having established a reputable and ethical brand over the last 5 years, and the funding that we were able to secure for them will undoubtedly develop the company much further."

SME ADVISORY TEAM OF THE YEAR - EAST AND WIDER MIDLANDS

We won the coveted SME Advisory Team of the Year award for the East Midlands in May, then went on to receive the same award for the entire Midlands at the Midlands Insider Dealmaker awards in September.

This is the first time we have won this coveted award in the same year for both the East Midlands and for the Midlands overall; although it is the third time we have won this award since 2016.

John Farnsworth, Head of Corporate Finance commented: "We are delighted that our work and advisory services have been recognised on such a prestigious stage. The Insider awards champion outstanding achievements by professional M&A advisors across the region, so to win SME Advisory Team of the Year in both the East and the wider Midlands in the same year is a testament to the strength of our talented and hard-working team."



OTHER NEWS AND EVENTS

SHARE REORGANISATION

Smith Cooper recently acted for a 50% shareholder of Daniel Charles Holdings Limited in negotiating the value and terms of his retirement exit from the business.

The Lincoln-based construction and civil engineering business which has 82 employees, and a turnover of £16m.

WORKSHOP EVENTS

Smith Cooper Corporate Finance hold regular workshops on business valuation, preparation for sale, vendor-initiated and management buy-outs, and the acquisition process, amongst others.

These are free of charge and can be run on a one-to-one basis if required. Please call us to enquire further about these events.

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