

Market overview

We have seen a marked increase in deal activity in the last 6 months, not just in our own deals but across the board. This has been driven by a couple of factors. Firstly, there was a strong suspicion that the Chancellor would make changes to CGT in the Spring budget, which caused many business owners to consider exit options in the run up. In the end the CGT changes never materialised, but it did create a hard deadline which drove deal activity. Secondly, after reduced activity up to the middle of 2020 we saw deals which had paused in March 2020 restart, and the appearance of a very strong stream of new opportunities – a trend that shows no signs of abating.

These new opportunities, our expectation that the Chancellor has merely deferred CGT changes – perhaps to later in 2021, and the effectiveness of the UK vaccine rollout speeding the UK to some semblance of normality, all promise to deliver a very busy 2021 for transactions. We believe there are strong arguments for both buyers and sellers to consider transactions in the near term.



Dan Bowtell, Partner

Fabrikat deal lights the way

Smith Cooper Corporate Finance (SCCF) have advised the two owners of leading steel fabrications business Fabrikat, the UK's leading independent designer and fabricator of lighting columns and guardrails, in the sale of the business to a Management Buy-Out team in a deal funded by Duke Royalty Limited.

Sutton-in-Ashfield based Fabrikat (Nottingham) Limited was formed in 1985 and has grown to become one of a handful of UK providers of street lighting columns, with an estimated 20% UK market share, and to command a near 50% UK market share of BS-approved guardrails. In recent years it successfully diversified to win around 50% of the UK's market in decorative lighting poles and architectural metalwork for cityscapes and leisure-oriented settings and to provide local authorities with asset-management services (lighting-pole testing, geo-mapping and monitoring services).

Having a turnover with local authorities, wholesalers, OEMs and developers in excess of £12m per annum, the business has been skilfully and decisively managed to deliver steadily increasing, robust profitability, even through the global pandemic. The business employs around 80 people across its design, manufacturing and marketing divisions and is well-known internationally in its key product segments, as well as being a familiar landmark in the North Nottinghamshire area.

The sellers, Martin Hopkins and Matthew Wass, have each worked in the business for around 25 years, taking ownership in 2013 through a secondary and subsequent tertiary management buy-out. The just-completed deal sees the two, who will retain roles as consultants, transfer ownership to a senior management team funded by Duke Royalty, the innovative royalty financier, which has provided a £6.2 million royalty financing package and who has also taken a 30% equity interest.

SCCF provided pre-sale preparation advice and project-managed the deal from inception to completion, whilst Smith Cooper's tax experts advised on the tax aspects.

Commenting on behalf of the sellers, Martin Hopkins said "working with SCCF since 2019 brought into focus the long-term objective of our exit from the business. SCCF's advice in carefully considering all available options and timing of the deal was vital. The advisors were supportive at every stage of the process, making the transaction smooth and straightforward".

John Farnsworth, partner at SCCF, paid tribute to the sellers saying "Martin and Matt recognised from the early days that the key to developing the business lay in setting a strong strategic plan and empowering the talented senior management team; few owners are able to get the balance of control and devolved responsibility right, but in this case it has produced an extremely strong business and the talented management team that is now taking ownership".

The buy-out team, with a 70% equity stake, comprises the Financial Director Paul Allen, General Manager Mick Scott and Technical Manager Melvin Batty who, together, have clocked-up over 70 years with Fabrikat. They plan to further develop the business in its traditional and new markets.

SCCF director, David Crump, added "this is the second deal SCCF has structured which involves the innovative royalty-style funding offered by Duke; in the right circumstances – where there's a good business and a strong management team – this can be the optimal solution for all parties. Certainly, in this case, the Duke proposal emerged as the best deal for the sellers and the management team alike".

Farm equipment acquisition creates AGCO's largest UK dealership

SCCF has advised Chandlers Farm Equipment Ltd (Chandlers), a third-generation family business selling agricultural equipment, on the acquisition of the AGCO division of Lister Wilder, doubling the size of its operations, and expanding its territory to become AGCO's largest UK dealership.

A global leader in the design, manufacture and distribution of agricultural solutions, AGCO is a network representing more than 4,200 independent dealers and distributors of some of the world's most innovative agricultural machinery and equipment brands.

Chandlers, an AGCO dealer, was established in Grantham in 1935. The principal business activities are the supply and after-sales service of new and used agricultural tractors and farm equipment to the farming industry. Chandlers are main dealers for AGCO (Massey Ferguson, Fendt and Valtra), Manitou telehandlers, SsangYong vehicles amongst others. The deal creates a £125m revenue business for Chandlers, operating across the East of England.





Lister Wilder, a family run business also in its third generation, was established in Reading in 1947. The company evolved to become a well-known and well-regarded name within the industry, having expanded both organically and through acquisition over the years. Having grown steadily within the AGCO and Kubota franchise networks, it became challenging for Lister Wilder to represent both brands in the long term. As a result, the company chose to uncouple from the AGCO franchise, by selling to fellow AGCO dealer Chandlers, which already operated successfully in an adjacent geographical territory.

"Our acquisition further strengthens our commitment to our customers, and the markets in which we operate" explains Gavin Pell, Managing Director of Chandlers. "As the largest AGCO dealership in the UK, we are in a very strong position moving forward, not least for the fact we are backed by the world's largest agricultural machinery company. The deal provides a mutually beneficial and pragmatic solution for both parties, and also means we can further enhance the range of products and services that we've become renowned for here at Chandlers."

The transaction was completed by a specialist deal team from SCCF. Partner, Dan Bowtell commented "The deal comes off the back of AGCO's "brand exclusivity" strategy – something which Lister Wilder would have been unable to do due to long-standing arrangements with Kubota. The deal puts both parties in a fantastic position, and there is no doubt an exciting future ahead."

Ameo sold to digital transformation consultancy

SCCF have advised Ameo Professional Services Limited ("Ameo") - a premier management consulting firm focused on the public sector, on its sale to The Panoply - a digitally native technology-enabled digital transformation consultancy.

Ameo delivers long-lasting, cost-effective change across a wide range of areas, from financial reporting and process design to digital innovation. In the last decade Ameo has worked with over 100 clients, with public sector work representing the majority of its revenue. Ameo's ethos is to work in partnership with its clients to develop sustainable solutions and improve the skills of its clients' teams.

The acquisition will bring complementary capabilities to The Panoply, and extend its reach into its key public sector client base. The change delivery capability of Ameo, alongside the organisational and service design capability of The Panoply's FutureGov subsidiary, and the backing of its first-in-class technology delivery businesses, will enable targeting and winning increasingly large digital transformation projects in the UK public sector.

Ben Ward, Director of Ameo, explained the logic for the deal "we've built a highly knowledgeable team capable of delivering change across a range of industries and sectors and recognise The Panoply as a group which complements our approach in delivering projects that are empowering and transformational. The collaborative culture fostered within The Panoply will take us to the next stage in our evolution by expanding our existing service capabilities and expertise to bring new leading-edge solutions to our clients' challenges, particularly across service redesign, robotic process automation and Applied AI. We are excited to begin work as part of the Group and to take advantage of the many opportunities this collective strength brings."

SCCF provided deal management support to the shareholders, a crucial part of which was identifying a suitable partner. Ben Ward commented "SCCF's expert counselling and focus on protecting our best interests ultimately led to identifying the right partner, The Panoply, to help drive our next stage of growth. We are grateful to the entire Smith Cooper team for their commitment to helping us achieve this exciting transaction with The Panoply."

Mike Dearing, Consultancy Partner at Ameo commented "SCCF were a pleasure to work with in this complex transaction. They demonstrated a strong depth of knowledge in professional services, robustly managed the process to an expedient timetable and demonstrated tenacity, patience and fortitude in bringing us and the buyer to a mutually agreeable place to complete the deal."

Darren Hodson, Partner at SCCF, commented, "It has been a privilege working with Mike and Ben and we are delighted for the shareholders and excited to see Ameo continue to thrive as part of The Panoply. This transaction strengthens SCCF's strong credentials for working with consultancy businesses, our ability to navigate the takeover code, and demonstrates our ability to get deals done swiftly."





Risk Capital acquires Primrose, Europe's largest online garden products suppliers

Risk Capital Partners, a London-based private equity firm has further enhanced its consumer-focused portfolio with the acquisition of online gardening products retailer, Primrose, in a deal where SCCF advised management.

Founded in 2003 and now Europe's largest online garden products retailer, Primrose offers a 'one stop shop' for all things horticultural, sourced from a diverse network of international and UK nurseries and growers, selling direct to consumers via its UK and European websites.

Sales at Primrose surged last year, as the coronavirus pandemic triggered a global gardening boom. Similarly, as an online-only retailer, Primrose was able to take advantage of the significant opportunities in online sales within the sector.

Primrose was acquired in November 2020 by Risk Capital from Rockpool, a private equity firm which backed the landmark private equity management buy-out of Primrose in 2018, a deal led by a specialist deal team at SCCF. Risk Capital Partners has provided growth capital investment to support continued growth in trading and online sales.

Independently owned, Risk Capital Partners focus is "working with entrepreneurs with ambition and helping them to achieve transformational growth through acquisitions, roll-out programmes and bold organic growth strategies." Primrose was identified as a key investment opportunity, following which a growth capital deal was agreed.

Primrose will continue to be led by its existing management team – Mark Pearson (CEO) and Ross Chester (CFO). In light of the successful sale, Mark Pearson comments "This transaction marks an exciting opportunity to capitalise on Primrose's position as the UK market leader in the online-only arena. In the last few months, we've enhanced our product range and also invested significantly in our internal and e-commerce systems, ensuring we have robust foundations for the next phase of growth."

Darren Hodson, Partner at SCCF commented "We were delighted to support Mark and Ross throughout this transaction. Having supported Mark in the acquisition of Primrose 2 years ago, we already understood the business and the aspirations of its management team and were therefore well placed to advise. Primrose is perfectly placed to benefit from favourable long term market growth drivers for the British and European garden product markets, and from consolidation of the fragmented sector in which they operate."

KFC deal defies lockdown

SCCF has completed the sale of restaurant business, the Castlebarn group of companies comprising 13 KFC restaurants in South East London and Kent area, to the Cascade Group, defying the impact of Covid lockdowns in this hard-hit sector.

David Catterall and Anton Jebaharan, who have worked in the KFC brand for over 35 years, acquired Castlebarn in 2007 through an MBO and developed it into a successful 13-strong chain employing over 500 staff. The pair also ran Taco Bell restaurants, which like KFC are part of Yum! Brands, but sold these several years ago in the first step to retirement from their restaurant interests.

The sale came at a time when many restaurant and other hospitality chains were enduring immense financial pressure. However, KFC demonstrated strong leadership in the sector, being one of the first to gradually and responsibly reopen its restaurants after initial closure due to the pandemic.

The buyer, Cascade Group, now operates 47 KFC and 21 Taco Bell restaurants, having joined the KFC brand in 1996.

The sellers turned to SCCF's Food and Beverage M&A experts, John Farnsworth and David Crump, who had known the sellers for many years, to identify the most suitable buyer, negotiate and project-manage the transaction through to completion.

Former owner David Catterall commented: "We're delighted to have completed the transaction despite the COVID-19 pandemic. SCCF demonstrated great knowledge of the sector and deployed this, and their deal management expertise, to drive the deal to a completion - always considering the commercial, operational and financial implications for us as sellers."

David Crump commented: "A sale was originally agreed outside the first government-imposed lockdown - which brought all the deals we were working on to a temporary halt. However, the strength of the KFC brand meant that trading recovered very quickly and, as a result, the delay on this transaction was a matter of just a few weeks – making this August 2020 completion our first during the pandemic."





Acquisition of ETMS Highways Limited by Chaffin Works

SCCF advised the acquirer

The Chaffin Group provides end to end environmental services including tree surgery, vegetation management, fencing, landscaping, invasive weed control, arboriculture and ecological consultancy to a wide range of clients in the Highways, Rail, Local Authority, Development, Utilities and other sectors. The acquisition of traffic management business, ETMS, is part of the group's strategy to expand into new and existing markets.



FOR A SMARTER FUTURE

Development Capital for KryptoKloud provided by Foresight Group

SCCF advised the funder

Lincolnshire-based cyber security firm, KryptoKloud, has received a £500,000 investment from private equity investor Foresight Group to propel its growth plans, using finance from the Midlands Engine Investment Fund (MEIF). The investment will enable the launch of a new Security Operations Centre in Lincoln, creating new jobs in the region.



MBO of Hallam Internet

SCCF advised the vendors

Hallam, the multi-award-winning Nottingham-based digital marketing agency has welcomed two new directors to the board following their acquisition of minority shareholdings.



MBO of CY Executive Resourcing

SCCF advised the vendors

Worcester based finance and accounting recruitment firm CY Executive Resourcing has completed a management buyout (MBO) to the management team, which plans to grow and develop it further.



Acquisition of orthodontics business by orthodontic group

SCCF advised the acquirer

An English orthodontic group has exercised options to complete the acquisition of the remaining shares of a Scottish-based orthodontic business.

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