

DEAL DISPATCH - ISSUE 40

OUR CORPORATE FINANCE DIVISION'S REGULAR DEAL ROUND-UP



LOCAL
KNOWLEDGE,
GLOBAL
EXPERTISE



Market overview

It has been yet another intense year of dealmaking across the Midlands in 2022. Whilst the national picture may look bleak with a 14% drop in deal activity, the Midlands remained resilient, recording just 4% fall-back from last year's record high. In fact, Midlands deal volumes for the last 2 quarters have out-performed the prior year's quarters, with Q2 up 13% and Q3 22% ahead.

At PKF we continue to see good levels of dealflow and new prospects, partly fuelled by shareholders' fear of a change to capital gains tax rates ("CGT"). This is both over concerns of an increase in the next budget or through a change of Government in 2024. A CGT rate increase of 10%-20% will have a material impact on a shareholders net realisation which can only really be offset by increasing profits by 10-20% to compensate, with many thinking this is unlikely to happen in a challenging economic environment. This is causing many shareholders to consider crystallising value in 2023.

Appetite for acquisitions remains strong, from both strategic trade purchasers and private equity players

keen to create synergies and economies of scale, which can offset margin pressures and create growth in shareholder value. Whilst valuations from private equity appear to be softening given the increased economic uncertainty and rising cost of capital, strategic trade acquirers appear to be holding valuations, at least for the time being.

However, history shows us that private equity make high returns on investments made in times of economic uncertainty and tend to outbid trade acquirers. They remain keen to partner with management teams and shareholders to take advantage of market conditions, and drive significant growth and value for those involved, meaning there are 'deals to be done'.

If you would like to discuss your growth or exit plans please do get in touch.

We at PKF wish you a very merry Christmas, and look forward to supporting you in what we hope will be a terrific New Year for you.


Tom Joy,
Senior Corporate Finance Manager

Deal summary




Sale of Evac+Chair International Limited to Systematic Growth

PKF advised the vendor




Duke Royalty provided financing to New Path Fire and Security

PKF provided commercial diligence to the investor




Acquisition of L Clancey & Sons by Donald Ward Ltd

PKF provided due diligence to the acquirer




Sale of Hyperama Peterborough Ltd to Holland Bazarr Limited

PKF advised the vendor



MBO of a food service provider to the takeaway industry

PKF advised the shareholders on the sale to management



Sale of Middlebrook Holdings Limited to WS Shillings Group Limited

PKF advised the vendor



PKF Smith Cooper's Corporate Finance division win 'SME Advisory Team of the Year' award

The Corporate Finance team at PKF Smith Cooper has been named 'SME Advisory Team of the Year' at Insider's Midlands Dealmakers Awards 2022, following a near-record year of dealmaking, achieving 'exceptional results in Midlands SME transactions'.

The PKF Smith Cooper team triumphed over eight other industry-leading companies to win the title on Thursday 22nd September at the official awards ceremony in Birmingham. The team was praised by Insider for 'delivering exceptional results in Midlands SME transactions' and bringing deals from outside the region to local advisers and funders.

The team also made the shortlist for an additional six Dealmakers awards: Corporate Finance Advisory Team of the Year, International Deal of the Year, SME Deal of the Year, Mid-Market Deal of the Year, Emerging Dealmaker of the Year, and Dealmaker of the Year Award.

PKF Smith Cooper's award success follows a near-record year for dealmaking for the Corporate Finance team, which already has a string of accolades to its name. Based at offices in Nottingham, Birmingham and Derby, the team operates across a variety of industries, helping business owners to buy, sell and grow, and specialising in high intensity projects on deals typically up to £50m.

David Crump, Corporate Finance Director at PKF Smith Cooper, commented: "We're incredibly proud to be recognised as SME Advisory Team of the Year; this is a fantastic accolade and is testament to the team's tireless

efforts to create and deliver innovative deals year after year. As a team, we pride ourselves on providing our clients with practical, robust and commercial advice, and are delighted that this has been recognised again in 2022. We continue to see a good level of M&A activity and look forward to working with the professional and financial community to deliver more great deals."

Darren Hodson, Corporate Finance Partner at PKF Smith Cooper, said:

"This achievement not only demonstrates the talent and expertise of our Corporate Finance division but also the tenacity and hard work that every member of our team brings to each project. We're proud to receive further recognition as an industry leader in the Midlands, especially after experiencing a year of almost record-high dealmaking activity at PKF Smith Cooper."



Evac+Chair International and Systematic Growth enter into partnership

Solihull-based Evac+Chair International Limited has partnered with Swedish company builder Systematic Growth in an international deal led by advisory firm PKF Smith Cooper. The deal will see Evac+Chair's Managing Director Gerard Wallace remain at the helm of the company.

Evac+Chair is a global manufacturer of evacuation chairs and critical care transfer solutions. As a company builder, Systematic Growth invests in companies with similar characteristics with the aim of creating market leading company groups.

After receiving several offers from interested parties, Evac+Chair appointed PKF Smith Cooper to support in assessing interest.

The deal was led by PKF Smith Cooper's Corporate Finance team, who demonstrated their capabilities in securing international funds for a Midlands company.

PKF Smith Cooper's partner-led team consisted of Darren Hodson, Joshua Gurton, and Thomas Joy. Adam Rollason and Harry Cook assisted with tax advice for the vendors.

Gerard Wallace, Managing Director at Evac+Chair, commented: "Everyone at Evac+Chair is looking forward to this next step in the company's journey, as we join forces with Systematic Growth and embark on future growth."

The expert advice and support we received from the PKF Smith Cooper Corporate Finance team was invaluable, and we could not have hoped for a better outcome. With their experience in building company groups, Systematic Growth is the ideal future home for Evac+Chair."

Darren Hodson, Corporate Finance Partner at PKF Smith Cooper, said: "I am really pleased that we were able to find the right buyer for Evac+Chair in Systematic Growth. The synergies between the two companies make it the perfect partnership and I wish both companies all the best for the future. What's more, this deal clearly demonstrates that there is still a global appetite to invest in the Midlands market and the confidence to do so. The demand from international investors will lead to more deals for local businesses in the future."

Evac was supported throughout the deal by Caroline Dodds, Principal from The CFO Centre. Caroline comments "I have worked closely with the company for many years in a financial director capacity including supporting Ges Wallace through his buy-out of the business in 2017. It is great to be part of this transaction where he and the rest of the shareholders were able to realise their ambitions."



PKF Smith Cooper's Fire & Security specialists assist Duke Royalty on £5m funding into sector consolidator New Path

International alternative capital solutions provider Duke Royalty has provided £5 million debt royalty financing to New Path Fire and Security (New Path), an investment holding company operating in the UK&I fire and security (“F&S”) sector. The funding agreement also involved Duke Royalty becoming a 15% shareholder in New Path, and agreeing a total funding commitment of up to £20 million to support New Path’s buy-and-build strategy across the UK.

Duke Royalty turned to PKF SC Corporate Finance to support its first deal in the F&S sector due to the PKF team’s growing specialism and expertise in the sector. PKF’s role was to undertake a comprehensive commercial diligence exercise on New Path, its position in the market, and the wider F&S market.

PKF has developed a significant specialism in the F&S market in recent years, its track record including assisting integrated security and fire safety solutions specialist Total Integrated Solutions in securing investment from private equity house Key Capital Partners.

New Path is a fast-growing investment platform, focused on acquiring independent fire safety and security companies throughout the South of England. Its group companies cover all aspects of fire safety including installation, maintenance, servicing, testing and monitoring, and a variety of security services, including CCTV and door entry systems. New Path has acquired

seven businesses since it was established in 2020, and the £5 million funding from Duke Royalty will fund a further two acquisitions which are currently at advanced stages in New Path’s pipeline.

Commenting on the deal and PKF’s role, Alex Hibbard, Vice President at Duke Royalty, said: “Duke is excited to be partnering with New Path to support their buy and build strategy; we look forward to helping them to continue consolidating a mission-critical sector. Duke looked to the PKF Smith Cooper CF team for a review of the sectors and sub-sectors that New Path operates in, addressing a detailed scope with well-researched analysis, delivered in a short time window. We were happy with their insightful output, which was delivered within our timeframe.”

James Ward, Corporate Finance Director at PKF Smith Cooper and leader of the F&S team, said: “It’s been a privilege to assist Duke Royalty in making its first funding transaction in the F&S sector; they recognised the potential of New Path’s plan to create a group of specialist F&S businesses with a diverse service offering in the highly fragmented F&S sector. Duke’s funding package will enable New Path to complete on two deals in advanced stages of negotiation, and to continue their expansion thereafter. We wish New Path’s management and Duke Royalty, with which we’ve worked on two previous transactions, every success with their strategy.”

Contact our experts

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