

DEAL DISPATCH - ISSUE 41

OUR CORPORATE FINANCE DIVISION'S REGULAR DEAL ROUND-UP

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are framed by a dark, textured overhang in the upper right. The sky is a pale blue. The image is used as a background for the lower half of the page.

LOCAL
KNOWLEDGE,
GLOBAL
EXPERTISE

Market overview

The UK's political environment is driving the narrative on appetite for SME business owners to sell. Some surveys in the mainstream press indicate as many as 66% of owners are considering an exit!

I don't quite believe the statistic, but, despite Labour trying to play down the prospect of increasing capital gains tax, many business owners still feel there is likely to be an increased tax burden if Labour become successful in a general election. As a result, our enquiry rate from shareholders who are considering selling ahead of an election is high.

Given the length of time it can take to sell a business (say 6 to 18 months) many owners are in the process of accelerating plans to sell. Although, at the same time they remain cautious about the current economic uncertainty. This is creating indecision on whether to push for an exit or to hold off. We expect more owners to make the decision over the summer as more inflation figures come through.

At the same time, acquisitions are becoming more expensive as many acquirers use debt to facilitate funding, and interest rates are expected to increase further to 6%. This is still palatable for many acquirers but if inflation continues to be an issue, and interest rates rise much beyond this, then that might reduce the number of acquirers in the market which could then impact valuations, and the ability to sell.

Today, our team are extremely busy on exits. We have a high enquiry rate with many exits planned for launch in September 23.

Overall, we think M&A activity will increase, and that the next 18 months will be extremely interesting for M&A.



Darren Hodson,
Corporate Finance Partner

Deal summary



Acquisition of Barack Group of Companies by FT Foods Limited

PKF advised the acquirer



Sale of Hyperama Nottingham and West Bromwich Ltd to Dhamicha Foods Limited

PKF advised the vendor



Sale of Gunn JCB Midlands division to Midlands JCB

PKF advised the vendor



Acquisition of Powrmatic by Carver Group

PKF advised the acquirer



Tahir Group acquires the Barack Group's portfolio of KFC restaurants

The multi-award-winning Tahir Group has become the largest KFC operator in London after acquiring eight KFC restaurants, previously operated by the Barack Group of Companies, in a deal managed by PKF Smith Cooper Corporate Finance.

Awarded KFC Franchisee of the year for the UK and Ireland in 2021 and 2022, the Tahir Group is a multi-brand franchised restaurant and property group based in London. The group has been established for over 45 years and, as well as KFC, it also operates the GDK and Starbucks brands.

Following the acquisition, the Tahir Group operates 41 KFC restaurants across London and the Midlands, making it the largest KFC operator in London.

Fazan Tahir, the owner of Tahir Group, said: "Acquiring the Barack Group makes a lot of logistical sense for us, strengthening our London heartland. The Tahir team and I are delighted to welcome the Barack team onboard and look forward to working with them; our ethos is to place people at the heart of everything we do. Our growth comes through achieving success together - by serving the communities we operate in through innovation, investing in people and delivering outstanding service to our customers."

Commenting on the transaction, David Crump, Corporate Finance Director at PKF Smith Cooper,

stated: "It's been a pleasure advising the Tahir Group, which is a recurring client for us, and we are delighted the transaction has completed. We confidently expect the "Tahir magic" to embrace the acquired staff and restaurants, and that the enlarged group will continue to thrive and grow – whilst retaining its sector-leading quality."

Fazan continued,

"The acquisition was a challenging process that I couldn't have completed without the support and efforts of my team and advisers, PKF Smith Cooper, with whom I have worked on previous acquisitions. I contacted them at the outset of this process to once again secure their invaluable input, expert advice and deep sector knowledge."



Hyperama MD ‘delighted’ with successful sale of cash and carry to Dhamecha Group in second deal led by PKF Smith Cooper

The Corporate Finance team of PKF Smith Cooper has advised Midlands-based Hyperama plc on the sale of its cash and carry division to London-based Dhamecha Group. Hyperama’s Nottingham and West Bromwich depots will bolster Dhamecha’s presence in the Midlands, boosting the number of its cash and carry branches to 12 post completion.

This sale comes in short order of Hyperama plc’s divestment of its Peterborough cash and carry to Holland Bazaar Ltd.

This sale required a carve out and ‘hive down’ of Hyperama’s remaining cash and carry divisions into a special purpose vehicle containing the trade, assets and business operations to be acquired by Dhamecha Group. This raised a number of unique commercial and transactional challenges that were navigated with specialist assistance from the PKF SC corporate finance team. For example, Hyperama’s Nottingham cash and carry operates from the company HQ, which also houses sister company JK Foods and the buildings needed to be segregated.

PKF SC’s multi-disciplinary team advised on the commercial and tax structuring of the transaction, advised on and sought solutions to the various transaction complexities and successfully managed all key stakeholders through to an exceptionally tight completion deadline.

“I am delighted to announce the sale of these two depots to Dhamecha Group,” said Marcus Singh, Managing Director of Hyperama, “I could not have wished for a better business to acquire the sites and take the business forward. Dhamecha is a fantastic operator and has successfully expanded already into the Midlands and I know I am leaving my employees, customers and suppliers in good hands.”

Marcus added: “I am thrilled to have completed the divestment of the cash and carry divisions within Hyperama. I have built a strong relationship with the corporate finance team at PKF Smith Cooper, having utilised the team’s knowledge, commitment and drive to both acquire and divest a number of our family’s business interests. I enjoy working with the team and look forward to working with them on future M&A projects.”

Tom Joy, Corporate Finance Senior Manager at PKF Smith Cooper, comments: “It has been a pleasure to support Hyperama in the sale of its cash and carry divisions to both Dhamecha and Holland Bazaar. It is great to see the respective divisions find the right home, with both acquirers keen to continue to invest and develop their business in the Midlands.”

The partner-led team advising Hyperama was led by Darren Hodson, Tom Joy and Josh Gurton, and included support from PKF SC Tax Advisory Partner Gary Devonshire.



Gunn JCB sells Midlands depots to Midlands JCB

Gunn JCB has sold its Midlands division, operating principally from depots in Smethick, Stoke-on-Trent and Hereford, to Midlands JCB in a deal assisted by PKF Smith Cooper.

Established in 1890, Gunn JCB became one of the first JCB dealers in 1958 and has since grown into one of the largest and most successful JCB dealers in the world.

Midlands JCB is a newly established dealership, which will now operate as the primary JCB construction dealer for the West Midlands, Warwickshire, Staffordshire, Herefordshire and Worcestershire, with the depots acquired from Gunn JCB becoming the firm's new headquarters.

Our Senior Partner David Nelson and Tax Partner Natasha Scott provided corporate finance and tax advice to Gunn JCB.

David Nelson commented: "We were delighted to act for Paul and Mike on this important transaction, which represents PKF Smith Cooper's third with the JCB dealership network. We look forward to continuing to assist the management team in the execution of their strategic plans over the forthcoming years."

Commenting on the deal, Gunn JCB Managing Director Paul Hartshorn stated:

"This change is an important step in the continued growth of JCB in a region that is set for considerable investment. Furthermore, it will enable Gunn JCB, through its remaining six depots, to focus its operations in the North West of England, North Wales, and the Isle of Man and continue to meet the growing needs of our customers in this area."



PKF has provided buy-side advice to Carver Group on its acquisition of Powrmatic Ltd, the UK-based manufacturer of commercial and industrial HVAC systems from US parent, Stamm International

Carver Group is a family owned business managing a portfolio of HVAC companies specialised in refrigeration technology, air conditioning technology and ventilation technology. The Group headquarters are in the UK and the company has representation in 50 countries and branches in Germany, France, the Netherlands, United Kingdom and Canada.

Powrmatic is a leading manufacturer of commercial and industrial heating equipment, natural & smoke ventilation products and a range of gas fired heat exchange modules. Powrmatic UK also distributes radiant heaters, twin duct condenserless air conditioning and heat pump units. Powrmatic UK sells to the UK market and also exports globally with distributors in Belarus, Belgium, the Czech Republic, France, Poland, Romania, Russia, the Republic of Ireland, Turkey, Ukraine and Singapore.

Through its acquisition of Powrmatic, the Carver Group will be able to expand its product portfolio and installation capabilities in gas and oils based HVAC systems, which are complementary to the Group's existing solutions.

Aidan Killeen, Group CEO of Carver Group said: "We are confident that these synergies and the continued diversification and enhancement of our capabilities, services and geography offer fantastic opportunities for our clients, our business and our people."

PKF Smith Cooper provided buy-side advice and due-diligence was provided by PKF Francis Clark.

Regarding PKF's role in the transaction, Aidan Killeen said: "The PKF team have been fantastic partners throughout, provided invaluable support all the way through the acquisition process helping us to smoothly navigate through a very complex cross-border transaction. We are thankful for their efforts and guidance to help steer us through this journey."

Darren Hodson, Partner at PKF Smith Cooper added: "It has been a privilege to advise family owned Carver Group on this significant acquisition, helping them to build more scale, capabilities and footprint for the next stage of growth, building on a rich 300 year history."

The partner-led team advising the Carver Group was led by Darren Hodson, Tom Joy and included support from our Tax Advisory Partner Adam Rollason.

Contact our experts

As part of one of the Midlands' leading firms of multi-disciplinary accountants and business advisors, we mainly operate across key geographies in Derby, Nottingham and Birmingham, but UK-wide in our specialisms.

Highly-skilled and formally recognised, our specialist teams work alongside clients to gain a deep understanding of their business and objectives to deliver world class solutions meeting those objectives.

If you'd like further information regarding the contents of this document, or you'd like to find out more about how we can help you and your business, please get in touch with our team or visit us online.



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161

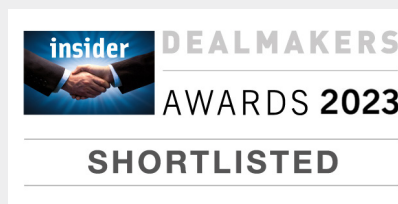
deals completed
in 2022

7th

ranking in UK&I by
deal volume

62

corporate finance
professionals



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