Issue 233 / June 2021

Corporate Financier

Corporate Finance Faculty | icaew.com/cff

ICAEW

GLOBAL INVESTMENT AND M&A

INNOVATION AND SUSTAINABLE RECOVERY

FUTURE ADVISORY PROFESSIONALS

GAMES WITH FRONTIERS

The fast-changing world of cross-border M&A

Corporate Financier

June 2021 Issue 233

GLOBAL INVESTMENT AND M&A | INNOVATION AND SUSTAINABLE RECOVERY | FUTURE ADVISORY PROFESSIONALS

08

Global giants
As sovereign wealth funds increase their presence on the world stage, David Prosser examines the $9trn of assets invested by international government players

12

Rising stars
Five years on from its formation, Azets is still on the up. Marc Mullen takes a close look at the accountancy firm's corporate finance targets and its next steps

18

COVER STORY
State of play
As the global economy navigates uncharted territory, Jason Sinclair maps out the fast-changing geopolitical context for M&A

26

New blend
The pandemic has seen advisers do some deals online from start to finish. Vicky Meek looks at how much of this virtual way of working will become the new normal

FUTURE ADVISORY PROFESSIONALS

31
Career paths
Siobhán Langwade from Taylor Wessing on big legal lessons learned in M&A deals

32
Connections
Who's on the move in advisory, corporate finance, private equity and restructuring

34
On my CV
Lexington's Gary Partridge explains the importance of keeping calm and staying on top of the numbers

04
Editor's letter
Marc Mullen catches up with the world chip shortage

05
Faculty news
New technologies in advisory on the way, plus changes to national security

06
Flying start-ups
Henry Whorwood on the record-breaking increase in funding for UK start-ups and scale-ups

11
Aiming high
2021 starts positively with $1.77trn global M&A deals

17
Cyber heroes
Will Darktrace's £1.7bn IPO start a new high-tech trend on the London Stock Exchange?

24
Innovation drive
Shaun Beaney looks at the UK's Plan for Growth and asks: is it enough?

COVER ILLUSTRATION: HITANDRUN

@ICAEW_CORP_FIN ICAEW Corporate Finance Faculty icaew.com/cff

Chip wars

For one reason or another, holiday dreams of golden Mediterranean sands and crystal-blue waters have not turned into reality for most of us recently. The only beach I've visited in the past year was on the northernmost coast of Scotland. Beautiful though the scenery was, last August the water was colder than I'd hoped for when I was watching families frolicking in the surf in the post-Christmas TV holiday ads. It was an unexpected geographical destination.

There was maybe something unexpected in another bit of geography-related news in April. Oliver Dowden, secretary of state for Digital, Culture, Media and Sport, referred the proposed $40bn takeover by Nvidia of world-leading UK chip designer ARM to the Competition and Markets Authority, citing 'interests of national security'. ARM is currently owned by Japan's Saudi sovereign wealth-backed SoftBank; Nvidia is a NASDAQ-listed US tech company. It was thought that national security issues would refer to China or Russia, or perhaps some Middle East regimes. We should hear the CMA's findings and the government's decision by the end of July. The EU, China and the US are also scrutinising the deal.

Meanwhile, at the end of April, the UK's National Security and Investment Bill was passed into law. Time will tell how many more deals are screened, and how it will impact M&A. On the surface, the new Act appears to address concerns about key British assets being controlled by quasi-state actors. In our cover story (page 18), we look at how geopolitics shapes M&A on the world stage. In this particular game, computer chips may be the new oil. Their rising use in appliances, and the surge in demand for digital devices and networks as homeworking has increased, has led to a shortage. But the UK's concerns may well rest on shifting sands when it comes to the global balance of power in the semiconductor market. Indeed, in February, US president Joe Biden signed an executive order for $37bn to be invested to increase microchip production in the US.

Advertising on the London Underground at the moment recommends holiday options in line with our adjusted expectations for summer 2021. 'Hampshire – waiting to be discovered' is presumably not a marketing approach that has the complete buy-in of the residents of, say, Basingstoke, Southampton or Portsmouth. But one thing's for sure – wherever you go, you'll be getting chips with everything.

Marc Mullen
Editor

ICAEW

CORPORATE FINANCE FACULTY

Mo Merali
Chairman

David Petrie
Head of Corporate Finance

Katerina Joannou
Manager, capital markets policy

Shaun Beaney
Manager, Corporate Finance Faculty

Grace Gayle
Services manager
+44 (0) 20 7920 8656

Eva Mota
Operations executive
+44 (0)20 7920 8413

firstname.surname@icaew.com

Marc Mullen
Editor
marc.c.mullen@gmail.com

David Coffman
Selina Sagayam
Victoria Scott
Jon Stubbings
Editorial panel

For details about corporate and individual membership, please visit icaew.com/cff or contact the faculty on: +44 (0) 20 7920 8689

To comment on your magazine, please email: publishing@icaew.com

Corporate Financier is produced by Sunday 207 Union Street London SE1 0LN

To make any advertising enquiries email to: commercial.partnerships @icaew.com

ISSN 1367 4544
METCAH20374

Printed in the UK by Geoff Neal Group

Repro by F1 Colour

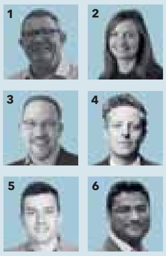
Distributed to members of the Corporate Finance Faculty

MIX Paper from responsible sources FSC® C013204

Faculty news

The latest from ICAEW's centre of professional expertise in corporate finance

AI AND BIG DATA IN ADVISORY



New technologies, such as machine learning and blockchain, are likely to change advisory roles in professional services and business, but expert judgement will still be crucial, according to ICAEW North West's online forum on 28 April.

'Big data, corporate advisory and business investment' considered the implications for client services, practice development and career paths.

Steve Stuart (1), chair of the Liverpool City Region LEP's professional and business services board, moderated the event, which was organised by ICAEW's Alex Pilkington.

The expert panel included:

- Astrid Ayel (2), AI for services lead at the Knowledge Transfer Network;
- Shaun Beaney (3), representing the Corporate Finance Faculty;
- Gavin Brown (4 and below), associate professor of financial technology at Liverpool University;
- Daniel McKenna (5), analytics manager at the Very Group; and
- Pinesh Mehta (6), investor at BGF.

Ayel said she was currently working on a project to build a platform to share data in the regulated space. "That's where we're going to see more innovation – around sharing data in a private and efficient way. Where is the professional going to fit? Maybe their job will be even more advanced because there will be solutions that take away some of the things they are doing now."

Beaney, who co-authored ICAEW's report *AI in Corporate Advisory*, told the online audience: "I think professional judgement and expertise are going to become even more important, not less important, because these technologies can augment expert advice. They can certainly play a role in helping improve due diligence, making better predictions and boosting the chances of success in deals.

"But they need very careful human analysis and interpretation. In fact, the predictive powers of machine learning are still highly debatable. Trust is at the heart of the work of professional advisers, including chartered accountants, and that trust cannot be based only on sets of rules or algorithms." He added that the greatest potential was in company valuations, due diligence and post-transaction integration.

Brown said that as well as the need to recruit tech experts, such as coders, engineers and analysts, and those with a commercial understanding, the "middle ground" between the two was just as important – "those with an appreciation and understanding of the technology".

The theme of collaboration was echoed by McKenna: "It's useless if we can't work with the business or use it with actual accountants. I would say jump in and collaborate and work with data professionals."

Mehta commented that from an investor's point of view, 'big data' was here to stay. He pointed to BGF's £2.7m 2018 investment in infrastructure management software company Gaist, which has successfully used big data and analytics to scale itself. He added: "About 20% of what we do is investing in technology businesses and it's becoming a bigger and bigger theme."

NATIONAL SECURITY

David Petrie, ICAEW's head of corporate finance, has joined a government Expert Panel to represent the views of the Institute and Corporate Finance Faculty members on the implementation of the UK's new National Security and Investment Act, which passed into law in April.

"It's important they understand the implications for advisers of this very broadly drafted legislation," he said. "The faculty has engaged directly with government ministers to ensure the investment screening unit is adequately resourced, and that it responds quickly and appropriately to enquiries from companies seeking to complete investments in the UK, and from advisers to those companies."

The Department for Business, Energy and Industrial Strategy (BEIS) has created the panel in order to capture the views of the market. So far, it has reviewed the notification process, and is now looking at the market guidance notes, which will be issued through the BEIS website.

The panel includes investors, advisers, trade organisation representatives and academics.

For further comment by Petrie, see the cover story on page 18.

NEWS IN BRIEF

Annual review

The Corporate Finance Faculty has published its *Annual Review 2020*, which summarises its major initiatives, public policy, technical and representative work, and includes its annual financial statement. Find it at icaew.com/cff

Modern slavery hub

ICAEW's Business and Management Faculty and its Business Law team have set up an online hub on the Modern Slavery Act 2015. Under the legislation, organisations that turn over more than £36m per year must prepare a Transparency in Supply Chains Statement on how they identify and mitigate the risk of modern slavery and human trafficking. See tinyurl.com/CF-ModSlavery

Get up and go

This year has seen record investment in early-stage businesses. Now, more than ever, it's just what the UK needs, says **Henry Whorwood**

During 'normal' times, high-growth companies play a crucial part in developing an economy and supporting job creation. But it's fair to say these are not normal times – pictures a few weeks ago of Royal Navy ships patrolling the waters around Jersey (hopefully) confirmed that fact. To get through the challenges of Brexit and COVID-19, entrepreneurial spirit must be encouraged – a culture supporting growth nurtures businesses as they develop from start-up and grow revenue, profits and employment. This will be fundamental to the UK, boosting the economy and helping to shape the technologies of the future. Success will breed success.

My colleagues at Beauhurst recently identified the 12 fastest-growing start-ups and scale-ups in the UK, out of the 32,000 businesses we track. There are myriad ways of classifying growth – and indeed start-ups and scale-ups. In this instance, we looked at private companies that have used equity investment to fund their expansion – as measured by the increase in turnover from 2019 to 2020.

This research identified a broad range of businesses in terms of both size and sector – from a veterinary surgery to fintech companies to a supplements manufacturer.

Perhaps unsurprisingly, tech dominated. That said, the biggest wasn't a tech company – green energy provider Bulb had turnover of £1.52bn last year. It has raised £65.3m – £60m of that in 2018, at a pre-money valuation of £351m. With its sustained sales growth since, it's likely the next funding round will confirm it has reached unicorn status.

The smallest, Insurwave, is a venture-stage software business, whose turnover was £239,000 last year (up 119% on 2019). It has raised £9.2m over three funding rounds since it was founded three years ago. Insurwave is the youngest company on the list.

The oldest company was founded more than 10 years ago – Wigan-based Challenge-trg Group, which provides temporary staffing, training and haulage services to the logistics and warehouse sector.

Even the amount of external financing varies: from £110,000 (Manchester-based Yumi Nutrition, which produces chewable supplements and vitamins) to £164m (fintech start-up and challenger bank Capital on Tap, which provides an online service through which SMEs can obtain credit cards and loans).

Together, the 12 companies have raised £466m of external funding, from 45 different funds across 58 rounds of investments. Interestingly, 27 of those funds are based in the UK and 18 are from outside the UK. It is, of course, excellent to see these investments translating into substantive growth for the company – and indeed the economy.

Record quarter

It bodes well given that, following 2020's tumult, the first quarter of 2021 has already proved to be a record-breaker. An astonishing £5.2bn was invested in UK start-ups and scale-ups in the first quarter of 2021, across 647 funding rounds, secured by 641 UK companies. The previous quarterly records – £3.4bn invested in Q4 2019 and 571 deals announced in Q4 2020 – were both blown out of the water.

However, we need to be very clear that these 12 fast-growing companies don't rely solely on private capital investment to fuel their growth. One company – Panaseer – received a £5,000 grant from Innovate UK when it was less than a year old; two of the companies have made acquisitions; and three have been members of accelerator programmes.

A not-insubstantial 16,672 UK companies have received an innovation grant, the vast majority (some 14,645) from Innovate UK. The rest have been awarded by the EU Horizon 2020 programme, or by programmes run by the UK's devolved administrations, among a handful of others. It really is the case that public and private capital need to work together to support early-stage innovative companies.

Henry Whorwood, head of research and consultancy, Beauhurst, a publisher of data and analysis on UK high-growth and ambitious companies, and a member organisation of the Corporate Finance Faculty

'Following 2020's tumult, the first quarter of 2021 has already proved to be a record-breaker'

Twelve highest growth UK companies, according to Beauhurst

The Ralph	1
High Wycombe	
Year founded	2015
2020 turnover (£m)	4.56
Turnover growth (2019-20)	1,483%
Operating profit/(loss) 2020 (£m)	(1.77)
Fundraisings to date	7
Amount raised £m	6.98

Panaseer	2
Waverley, Surrey	
Year founded	2014
2020 turnover (£m)	2.39
Turnover growth (2019-20)	234%
Operating profit/(loss) 2020 (£m)	(4.71)
Fundraisings to date	7
Amount raised £m	32.20

Yumi Nutrition	3
Salford	
Year founded	2017
2020 turnover (£m)	0.47
Turnover growth (2019-20)	173%
Operating profit/(loss) 2020 (£m)	(0.00)
Fundraisings to date	1
Amount raised £m	0.11

AllBright	4
London	
Year founded	2016
2020 turnover (£m)	2.81
Turnover growth (2019-20)	143%
Operating profit/(loss) 2020 (£m)	(8.13)
Fundraisings to date	4
Amount raised £m	23.90

Moneybox	5
London	
Year founded	2015
2020 turnover (£m)	2.51
Turnover growth (2019-20)	128%
Operating profit/(loss) 2020 (£m)	(7.92)
Fundraisings to date	5
Amount raised £m	54.50

Challenge-trg Group	6
Wigan	
Year founded	2012
2020 turnover (£m)	87.80
Turnover growth (2019-20)	124%
Operating profit/(loss) 2020 (£m)	1.06
Fundraisings to date	1
Amount raised £m	0.55

Insurwave	7
London	
Year founded	2018
2020 turnover (£m)	0.24
Turnover growth (2019-20)	119%
Operating profit/(loss) 2020 (£m)	(3.13)
Fundraisings to date	3
Amount raised £m	9.23

TransferGo	8
London	
Year founded	2012
2020 turnover (£m)	15.20
Turnover growth (2019-20)	117%
Operating profit/(loss) 2020 (£m)	(8.36)
Fundraisings to date	8
Amount raised £m	40.60

Bank of Telecom	9
Chelmsford	
Year founded	2013
2020 turnover (£m)	120
Turnover growth (2019-20)	92%
Operating profit/(loss) 2020 (£m)	6.68
Fundraisings to date	5
Amount raised £m	4.16

Habito	10
London	
Year founded	2015
2020 turnover (£m)	5.12
Turnover growth (2019-20)	88%
Operating profit/(loss) 2020 (£m)	(22.60)
Fundraisings to date	6
Amount raised £m	83.20

Bulb	11
London	
Year founded	2015
2020 turnover (£m)	1,520
Turnover growth (2019-20)	85%
Operating profit/(loss) 2020 (£m)	(59.00)
Fundraisings to date	6
Amount raised £m	65.30

Capital on Tap	12
London	
Year founded	2013
2020 turnover (£m)	72.50
Turnover growth (2019-20)	85%
Operating profit/(loss) 2020 (£m)	28.90
Fundraisings to date	6
Amount raised £m	164

SOURCE: BEAUHURST

WORLD POWERS

At the end of last year, there were 95 active sovereign wealth funds managing a combined $9trn of assets worldwide – an 8% increase on 2019. Who are they, asks David Prosser, and what are they investing in?

Such is the scale of Norway's Government Pension Fund that the $45.7bn (£32.8bn) first-quarter profit announced by the sovereign wealth fund (SWF) in April was widely perceived as modest. This, after all, is a $1.3trn vehicle that owns 1.4% of all listed shares globally, as well as extensive holdings in fixed-income securities, property, infrastructure and real estate.

It is a reminder of the gargantuan size of the world's SWFs. The 10 largest may have been managing as much as $5.8trn of assets between them by the beginning of 2021 – although estimates for some of the funds are bound to be approximate because of their relative opacity.

SWFs are a diverse bunch with disparate origins. Some were set up to manage the wealth accruing from countries' oil reserves – Norway's fund and most of the Middle Eastern SWFs fall into this category. Others, including the Singaporean funds, date from countries' efforts to manage publicly owned assets more effectively. And some SWFs, such as China's National Social Security Fund, exist to generate and manage reserves for specific state priorities.

SWFs also operate according to different mandates. Their goal may simply be to maximise value over the long term, investing for yield and capital appreciation in the same way as any other investment fund. Think of them as pots of national rainy-day savings.

But many funds also follow a broader imperative, to support their respective national economies. They may do this through direct investment in domestic companies and industries, for example, but also through policies that underpin long-term development in areas such as infrastructure and productivity.

The COVID-19 crisis has brought these roles into much sharper focus. Even SWFs with a remit targeted more purely on investment returns have often been asked to provide pandemic support, effectively becoming another part of the COVID-19 relief effort.

Ben Moore, leader of Deloitte's Middle East SWF team, says: "Many governments around the world looked to their wealth funds to support their economies. Some policymakers will be working closely with SWFs going forward, in an effort to strengthen their position post COVID-19."

Last year, the governments of Qatar, Russia, Singapore and Norway each drew down directly from their SWFs to stabilise public finances when deficits soared. Elsewhere, funds have made investments to support coronavirus-stricken economies. In the UAE, Mubadala Investment Company provided rent relief in the residential, office and hospitality sectors. In Singapore, funds stepped in to recapitalise local firms. The Russian Direct Investment Fund was a key investor in the national vaccine programme. They have been more focused on their own domestic markets over the past year.

'Policymakers will be working closely with SWFs'

Ben Moore
Middle East sovereign wealth fund team leader, Deloitte

'SWFs have increased their exposure'

Rachel Hanger
partner and head of asset management, KPMG

GETTY IMAGES

But despite a reduction in deals, the general trend has been for SWFs to be ever more active players on the world M&A stage.

Rachel Hanger, a KPMG partner who leads the firm's UK Asset Management practice, explains: "Since 2008's global financial crisis, we have seen SWFs increase their exposure to alternative assets, such as real estate, infrastructure, including renewable energy, private equity and hedge funds."

Investing in innovation

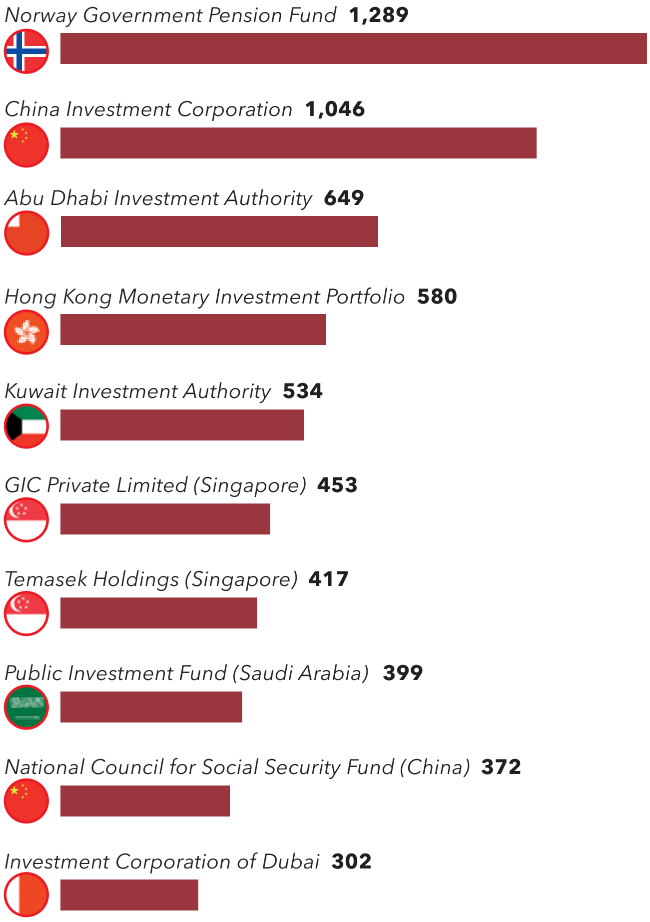
In fact, throughout the year to September 2020, the 16 largest SWFs completed more than 160 deals, collectively worth more than $43bn, according to data from Spain's IE University Business School. The sectors in which SWFs were most active were technology (with 25% of deals), services (18%) and life sciences (18%). These deals varied in scale and size – while 22 deals were worth more than $500m, 40 transactions were valued at below $100m. The data also suggests SWFs are keen to collaborate; 70% of the transactions involved at least one other investor, either from the public or the private sector.

Javier Capapé, director of sovereign wealth research at IE University's Centre for the Governance of Change and editor of the IE University report, says: "Investment was sustained in alternative energy sources, innovative food companies, technology and biotechnology projects. In addition,

The world's top 10 sovereign wealth funds by total assets ($bn)

FEBRUARY 2021

SOURCE: SWF INSTITUTE



Largest deals of 2020 involving sovereign wealth funds ($bn)

SOURCE: DEALOGIC

Target	SWF bidder	$bn
Sberbank (Russia)	*Russian National Wealth*	**28.9**
DP World (UAE)	*Dubai World*	**2.7**
Waymo (US)	*Mubadala**	**2.3**
Beijing Zhenguanyu Technology (China)	*Temasek*, GIC**	**2.2**
Silver Lake (US)	*Mubadala*	**2.0**
Jio Platforms (India)	*PIF*	**1.4**
Visma (Norway)	*GIC*	**1.4**
Reliance Retail (India)	*PIF*	**1.3**
Equis Development (Singapore)	*ADIA**	**1.3**
Jio Platforms (India)	*Mubadala*	**1.2**
LG Twin Towers (China)	*GIC*	**1.1**
Digital Fibre (India)	*PIF, ADIA*	**1.0**
Convex Group (UK)	*GIC**	**1.0**

**as part of a bidding consortium*

there was continued investment in energy and transport infrastructures, and in industrial real estate, fuelled by mobility restrictions and the growth of e-commerce and teleworking.

"However, the downside of the crisis was a drop in the total value of transactions and a slowdown in the number of funds participating in venture capital operations. Not all the funds were able to maintain these high-risk bets when their economies were going through difficulties that required their attention and capital."

By geography, the US, China, the UK and India accounted for 58% of the transactions in the IE study. Middle Eastern funds were particularly active, especially at the larger end of the deal market. Saudi Arabia's Public Investment Fund, for example, spent $1.5bn on a stake in the Indian digital company Jio Platforms, and also teamed up with the Abu Dhabi Investment Authority to acquire an interest in India's Digital Fibre Infrastructure Trust.

But SWFs are happy to make smaller investments too, including in the venture capital space. Singapore's two funds, GIC and Temasek, both invested in the Chinese online education platform Yuanfudao, while Mubadala joined a consortium of investors in Waymo, the self-driving technology firm owned by Google's parent company Alphabet.

The UK can expect to see continuing SWF interest in its businesses and assets, says James Hewitt, a director in the global sovereign wealth funds team at Deloitte. "Real estate in the UK has long been an attractive asset to wealth funds, but we are seeing many funds expand their horizons," he explains. "Many are now exploring opportunities across all the regions of the UK, in sectors including transport, logistics, technology and life sciences."

The UK government is courting SWFs as potential investors in sectors where innovation requires capital. In March, the Department for International Trade (DIT) announced a £1bn investment alliance with Mubadala – £800m will come from the UAE SWF – to invest in UK life sciences over the next five years.

'Many funds are exploring opportunities across all regions of the UK'

James Hewitt
global sovereign wealth funds director, Deloitte

The DIT is also continuing to target wealth funds in Saudi Arabia and Qatar as potential strategic investors in the UK economy, particularly in sustainability and decarbonisation. But this approach by Britain potentially conflicts at times with its geopolitical concerns about who's buying sensitive assets – and the new National Security and Investment Act (see cover story, 'Games with frontiers', page 18).

Status symbols

Elsewhere, SWFs have also been buying trophy assets in the UK. The on-off deal for Saudi Arabia's Public Investment Fund to attempt to buy Newcastle United Football Club is one example, while the Qatar Investment Authority owns Harrods, the Shard and much of the Canary Wharf estate.

There is every reason to expect SWFs will carry on targeting the UK as part of a global investment portfolio, even if they continue to play a prominent role in the post-pandemic recovery at home. But one trend noted by Hewitt is a determination among some funds to make more use of domestic advisers, rather than relying on international auditors, accountants and deal specialists.

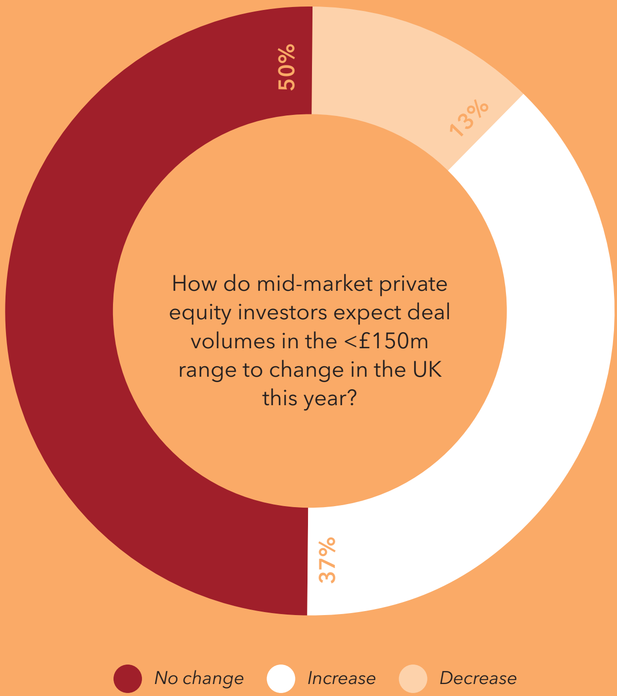
"We are definitely seeing SWFs invest in their own people," he says. "Part of the push to support the national economy is coming from efforts to develop local talent."

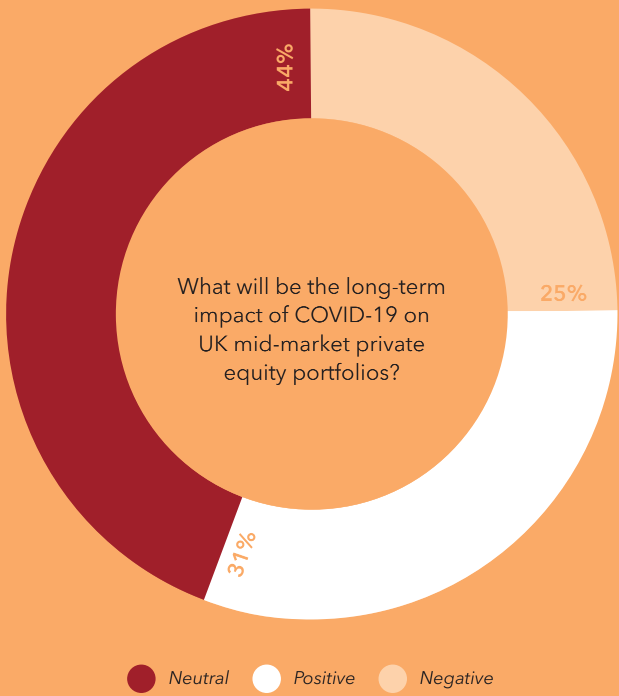
This is part of a broader trend, suggests Hanger, who sees SWFs becoming more self-sufficient. "SWFs are increasingly building out their own investment capability, including establishing their own overseas investment offices with local expertise. Co-investment and collaboration between SWFs is becoming more common and some SWFs are offering third-party capital management as a service to other investors," she says.

The experience of the past 12 months is likely to accelerate this trend. The role played by SWFs in providing COVID-19 support reflects their growing influence and reach; many funds have become fully fledged institutional investors, pursuing and leading deals on a global scale.

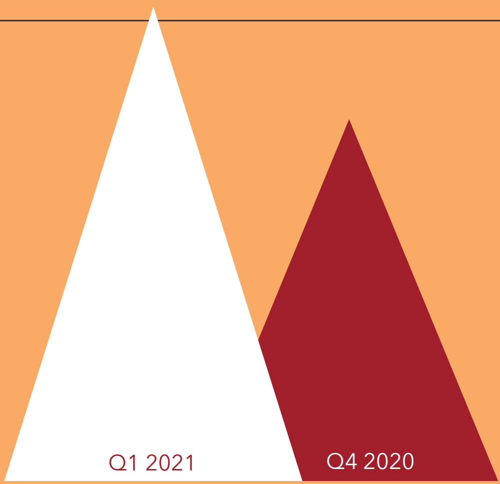
In numbers

Global M&A is on track for a record-breaking year as dealmaking has hit new highs in the first few months of 2021





SOURCE: CORBETT KEELING



164 UK private equity deals in **Q1 2021** – up **31.2%** on Q4 2020

776 UK M&A transactions completed in **Q1 2021** – the highest quarterly total in 13 years – up **8.2%** on Q4 2020

10.6x

Average PE multiple for UK trade sales in Q1 2021, up from 10.2x in Q4 2020

SOURCE: BDO

17

Megadeals (worth **$5bn** or more) announced in April 2021 – the **7th highest** monthly total recorded

$444bn

Technology deals globally in the first four months of 2021 – **double** the previous YTD record of **$216bn** in **2000**

$1.77trn

M&A deals globally during the first four months of 2021 – **124%** up on the same period in 2020, and the **highest YTD value** since records began in 1980

SOURCE: REFINITIV

All bases covered

It's been five years since Azets was founded with the backing of Hg Capital. Marc Mullen speaks to the leaders of its corporate finance team across the country about what's next

Five years ago, Hg Capital, a buy-out house that specialises in software and business services deals, backed the creation of Cogital. It was set up to acquire mid-tier accountancy practices and was led by John Connolly, former global chair of Deloitte.

Cogital's first acquisitions were Blick Rothenberg and Baldwins in the UK, as well as the business process outsourcing services of Visma in the Nordics. Connolly, who had also spent 12 years as CEO of the UK arm of Deloitte, took on the role of executive chair and embarked on what he described as a "five-year plan to build a leading, technology-driven, international business services group".

By 2018, Cogital had made 20 acquisitions and, with the purchase of Wilkins Kennedy (and its corporate finance arm WKCF), the business leapt forward in terms of its M&A advisory offering. Client numbers are now more than 70,000, employees have increased to more than 6,000 and annualised turnover to around £500m.

Last year, there was a refresh as Connolly stepped down as chair and Cogital (Blick Rothenberg aside) was rebranded as Azets. Dawn Marriott, ex-Capita COO and Hg Capital partner, took on the role of CEO just prior to the rebrand. Now, just half a decade on from its inception, where does corporate finance advisory fit into the next phase of growth for Azets?

"We've now got a genuine national offering and a good client base to grow," says Andy Coghlan, the London-based partner in charge of private equity and international transactions, who was previously WKCF's managing partner. "We do have specialisms across the regions that we can tap into, but having local presence is crucial for growth in the segment of the market we work in.

"So, for instance, early-stage tech funding comes in to [corporate finance director] Daniel Jonas, or if it's private equity, it's usually referred to me. Then in the Midlands, we've got people who specialise in the waste management sector, for example."

Industry specialism

Mark Selby, the national head of corporate finance, is based in the Midlands. Back in March 2020, he led a team that advised the shareholders of recycling business Tom White Waste, on its £14.5m sale to Coventry City Council.

Selby says: "This was fairly typical of the kind of deals we advise on – an owner-managed SME being sold to a corporate buyer, if you regard the council as a corporate buyer. We spoke to many of the big blue-chip corporates in the waste sector in that process, and we have a real specialism in that industry in our team."

While Azets has grown to the size of a BDO in terms of staff numbers, it's operating in a different segment of the corporate finance market: smaller deals, in the £1m-£60m range. Alongside lead

Below, from left: Mark Selby, national head of corporate finance; Andy Coghlan, head of private equity and international transactions; Dan Nixon, partner and national head of transaction services; Graham Cunning, partner and head of corporate finance, Scotland; Katherine Broadhurst, corporate finance partner

AZETS AT A GLANCE

70,000
CLIENTS

6,000
EMPLOYEES

£500m
ANNUALISED TURNOVER

50
STAFF MEMBERS IN THE CORPORATE FINANCE TEAM

50 deals
IN THE 10 WEEKS PRIOR TO THE MARCH BUDGET

£350m
AGGREGATE VALUE OF THE FIRST 50 DEALS IN 2021

ILLUSTRATIONS: DAN MURRELL

'We have specialisms across the regions that we can tap into, but a local presence is crucial in the segment of the market we work in'

advisory, Azets is also building up its transaction services arm to provide clients with financial due diligence. It is led by Dan Nixon.

Typically, the firm advises on deals with enterprise values up to £60m. The corporate finance team across the UK now numbers around 50 staff. In the 10 weeks prior to the March Budget, this team had completed 50 transactions across the UK, worth an aggregate value of £350m.

Selby says the breadth of those 50 deals demonstrated the firm's capabilities, across several industries, nationally. The M&A included MAC Waste Management's acquisition of WCL Quarries and Drygon 8; six strategic investments by Boost&Co, including r10 Consulting, Liquorice Marketing and Foodhub; and BGF's investment in energy data business Stark.

Construction work

"We also have a lot going on in the builders' merchant and building materials space, and if you're in the right part of it, also in logistics," says Selby. "If you're in the Amazon or supermarket supply chains, then you've likely had a cracking 12 months."

In February 2021, the sale of Coventry-based bi-fold door specialist Slide and Fold to Orchestra Group, the consolidator, was completed. That had been a long time coming. Selby was engaged by the husband-and-wife owners Darron and Eve Cooke in 2019, and Orchestra was identified as a potential buyer in March 2020. The entire process was managed through various lockdowns.

"It was a £5m-turnover business but highly profitable, in a good niche space," adds Selby. "Around 85% of its sales were online, so it proved a fairly resilient business through the pandemic."

A standout deal for Coghlan in the first quarter was advising Bamboo Distribution on its investment from Rubicon Partners, which was at the top of the size range Azets typically advises on. Bamboo is a mobile-phone recycling business based in Essex. Having met Bamboo management last summer, Rubicon emerged from a competitive auction process and the deal was struck in October 2020. It was then completed pre-Budget.

Coghlan says: "It repairs, recycles and puts phones back in the system, and saves insurance companies money because it doesn't replace old phones with the latest phones. Rubicon could see that as a growing market and it could apply its expertise to expand further through Europe."

‘The aim is to build out a full-service model, with the opportunity to cross-fertilise ideas across the regions and our service lines’

Nationally, all of the corporate finance teams are recruiting, especially at executive level. “We usually recruit newly qualified accountants,” explains Coghlan. “We prefer them not to have had any real corporate finance experience so we can teach them our approach.” The team also prefers not to recruit from the Big Four: “We want them to have seen the whole of a smaller client, rather than just one part of a large multinational.”

Azets has teams across the UK – in the North East, North West, London and the South East, the south of England, Wales, the Midlands and Scotland.

New beginnings

Debt advisory hasn’t been a significant offering yet, possibly because there isn’t the demand for it in the segment the company operates in. In April, Azets acquired the restructuring and insolvency division of Moore South, which was led by partners Duncan Swift and Chris Tate. Last October, Matthew Richards joined the Azets London division from Grant Thornton.

Coghlan says: “We’re looking more at the debt advisory side of things and will potentially recruit someone into that area. I think there are going to be a lot of refinancings and recapitalisations in the autumn. Once businesses start trading again, they’ll need working capital and debt options to stay afloat.

“The aim is to build out a full-service model, with the opportunity to cross-fertilise ideas across the regions and our service lines.” Coghlan claims that Azets is the UK’s most active adviser among the top 10 accountancy firms of ‘managed entrepreneurial’ businesses.

Selby sees the deal outlook for deals as positive. “I think, politically, CGT is a soft target, and it’s inevitable that it will come under further scrutiny in the next budget. That’s an underlying driving factor for business owners to explore an exit, or partial exit, in the near term. Another reason for being optimistic about deal volumes is that borrowing remains at historically cheap levels and banks are starting to look again at new-to-bank business in a way they weren’t so keen on last year. We know they were inward and CBILs-focused. There is also a lot of dry powder at independent, small private equity funds and family offices.

“And finally, I think the past year has been a bit of a wake-up call and a reality check for a number of business owners and their business value aspirations and expectations.”

All points west

Developing services in South Wales and the South West

Katherine Broadhurst leads corporate finance across the region. She joined as associate director in September 2019, from Broomfield & Alexander, where she trained as an ACA. She was made partner at the start of this year.

Broadhurst says the nature of the market and the concentration of SMEs mean that the deal size in the region is smaller than average for the country. There are also some differences in the nature of the deals, with a greater proportion of management buy-outs. The team completed nine deals in the first quarter of 2021, with a total value of £21.6m.

Broadhurst and her team advised the owners of Carters Packaging, based in Redruth, Cornwall, on its £4.5m sale to the London-listed Macfarlane Group, which completed in March. The deal had started around a year earlier, but it stalled with COVID-19 and lockdown. However, when the process restarted, the pandemic presented both parties with opportunities that the transaction enabled them to better exploit.

Broadhurst explains: “The entire transaction was done virtually. We were able to get quality face-to-face time, which is important in any transaction, but especially when developing relationships between an SME client and a listed entity, albeit online.

“Doing a transaction in that way has its challenges, particularly understanding the nuances of a discussion, but in terms of dealing with specific queries and with legal questions it worked, and the

response times are important. In my view, video calls are so much better than the conference facilities we would have used before. It's certainly more time efficient and environmentally friendly than travelling between Scotland – where Macfarlane is based – Wales and Cornwall. We cover a big area and being able to build relationships and service clients in a responsive way is key."

Broadhurst is now looking for a new senior team member, to focus particularly on the West Country.

In February, the management team at Customised Sheet Metal based in Bridgend, South Wales, completed a buy-out from the metal fabrication company's founders. Broadhurst led the Azets team advising on the deal.

"The process started in September last year. Luckily, we could have meetings with management and the owners around an actual table, to find mutually acceptable solutions. So we'd already dealt with those initial tricky questions – evaluating projections, working capital, establishing how it was going to be funded and what everyone's role would be going forward – when restrictions came back in."

Despite the efficiency of the virtual process, Broadhurst is looking forward to the opportunity to network again: "Forging new relationships over this period has been hard. The deals we've done have very much been based on previous relationships and connections. So, I'm really looking forward to building on our networks to make new contacts across our wider region and generate our pipeline of deals."

GETTY IMAGES

North of the border

Bringing together expertise in Scotland

Graham Cunning leads a large corporate finance team consisting of 10 people. He joined Campbell Dallas (which was taken over in 2017 by Azets) in 2015, from Clydesdale Bank, where he had been UK head of acquisition finance. Before that, he spent 14 years at PwC in the UK and the US, having trained as a chartered accountant at KPMG in Glasgow.

His team has been really busy in the past six months, he says. "There have been two drivers for that. First, there's a fear that CGT will rise. It proved to be a false dawn in this year's Budget, but there's a strong expectation that rates will rise in the March Budget next year. Last year was also mentally tough for some business owner-managers, and they just want to get out and do something else. Events have brought forward their exit plans.

"On the other side of the deal table, many corporates in strong sectors have built up large cash reserves and/or have PE backing. They're now actively approaching target businesses to implement their M&A strategy".

Cunning says he also has a strong pipeline of employee ownership trust (EOT) deals – because some business owners don't want to go through a trade sale process, or they've had a bad experience of one in the past. They want to realise capital, but on their own terms, in private, and they also see the business and its culture continuing, so a sale to a trust that owns the business on behalf of its employees is the route they want to follow.

When it comes to looking at EOTs, money is only one consideration. "Other questions are key," observes Cunning. "How will employees react? How will the running of the business and key decisions be made after the EOT buy-out? What's the role of the trustee and the board?

"EOTs are pretty common and have been around for a while now. There are around 100 employee-owned businesses in Scotland, so there's a wealth of experience and advice available to those wanting to find out more.

"Businesses are either flat on their back or doing incredibly well, doubling their profits and full of confidence, in a position to make acquisitions as they see competitors struggling."

He has also seen far more unsolicited approaches and, if they get as far as an auction, a larger number of bids too. "Buyers are generally prepared to pay a premium price to avoid going to auction," he says. "Unsolicited approaches have definitely increased in the past six to 12 months, as buyers seek to put their acquisition strategies into action. Acquirers have cash, are prepared and often experienced, and so can do deals quickly."

ICAEW

MODERN SLAVERY

Are your supply chains at risk?

Modern slavery can occur in any organisation, anywhere in the world. Do you know how to spot the signs?

Find out more at icaew.com/modernslavery

A self-learning solution

Darktrace is a cutting-edge start-up that has used artificial intelligence and machine learning to stay one step ahead of cybercrime. How has it arrived on the LSE's Main Market?

Tackling ever-growing threats

There's money to be made out of fear and, while in no way wishing to crank up the panic, Darktrace claims that it detects one cyber threat every second – more than 30 million a year.

In April 2021, Darktrace listed on the Main Market of the London Stock Exchange, raising £165m. This will be invested in its R&D centre in Cambridge to evolve its product offering for customers and "explore parallel applications for its AI technology in adjacent fields". The company also wants to grow its presence in existing markets and expand its geographical reach.

The IPO, advised by Jefferies (with Grant Thornton as reporting accountants), valued the business at £1.7bn and it has been admitted to the Premium Listing Segment. But the process wasn't without its problems. Darktrace's ties to one of its major shareholders, Autonomy founder Mike Lynch, were problematic, to say the least. The $11.7bn sale of the Cambridge-based software business to HP in 2011 is still the subject of substantial ongoing litigation.

Real innovation

Darktrace was founded in 2013 by cyber experts and mathematicians in Cambridge. It is most definitely a pioneer in software engineering and a genuine world leader in providing AI to businesses and in cyber security. It created autonomous response technology on its platform, which uses machine learning and AI algorithms to detect and respond to cyber threats in a diverse range of situations, including the cloud and networks, the internet of things (IoT) and industrial control systems.

"The stereotypical hooded hacker in their bedroom certainly still exists, but cybercrime has become a big business as virtually every organisation runs on software and internet connectivity," says CEO Gustafsson.

Females first

The two executive positions at the top of Darktrace are held by women: co-founder, CEO (and Brit) Poppy Gustafsson (right); and American Cathy Graham, who crossed the Atlantic just before lockdown last year to take on the role of CFO.

Gustafsson trained as an ACA at Deloitte in Cambridge, where her focus was on tech. From there, she joined Amadeus Capital and then Autonomy. She left in 2011, when it was sold to HP.

In 2013, she co-founded Darktrace with Dave Palmer, Emily Orton, Jack Stockdale and Nicole Eagan, and took on the role of CFO. In April 2016, she became COO, and then, six months later, CEO.

GETTY IMAGES

Under Gustafsson's leadership, the company achieved unicorn status in 2018, and it now has 4,700 customers and 1,500 employees worldwide. A year later, she was awarded an OBE for services to cyber security.

Her best leadership advice? "Work out, at any given time, which projects across your business are going to move the needle for your plan. Push those projects hard and perhaps think about parking others."

Heavyweight backers

A key element of Darktrace's success has been the backing of a group of influential investors, including Invoke Capital and Autonomy founder Mike Lynch.

In 2016, Darktrace closed a $65m round of funding led by Wall Street private equity giant KKR, with TenEleven Ventures and SoftBank's SB ISAT. In 2017, another $75m was raised – KKR and TenEleven were joined this time by Summit Partners and Insight Partners. In 2018, $50m was raised and British investment firm Vitruvian Partners joined the funding round.

GAMES WITH FRONTIERS

How much has the geopolitical landscape changed over the past two years? Brexit has been completed. COVID-19 has circled the globe and still remains. President Trump has been and gone, and not quietly. As we move into a new era defined by these events, Jason Sinclair looks at the impact on M&A

ILLUSTRATION BY HITANDRUN

The multidimensional jigsaw of cooperation and opposition over trade, security and climate continues to be shuffled, broken and reassembled. The constants, occupying the thoughts of legislators worldwide, are the continued rise of China and the shifting definitions of national security. However, there is more to consider.

"The geopolitical dynamics are not really limited to the US and China. It's just that they seem to carry the heaviest weight," says Christine Chow, who joined IHS Markit in March as global head of strategic governance and environmental, social and governance (ESG) integration. She moved from Federated Hermes, where she was global head of tech, Asia and emerging markets.

The Committee on Foreign Investment in the United States (CFIUS) and Australia's Foreign Investment Review Board (FIRB) keep an eye on overseas investment into their countries. France and Germany have equivalent schemes. The UK's National Security and Investment Act (which received royal assent in April) is a codified UK equivalent. It effectively oversees business

All smiles at Chequers in 2015, but what does the future hold for relations between China and the UK?

investments by other foreign states – including, but certainly not exclusively, China.

This was the first legal update to the UK screening process in 20 years. Conservative MP Tom Tugendhat chairs the Foreign Affairs Select Committee. He told *Corporate Financier* that the Act is not designed to turn the UK into a protectionist environment, at least not in the traditional sense of 'protectionism': "It's intended to protect Britain from what it would otherwise be, which is an exposed economy, while others are putting their barriers up.

"If you look at the way CFIUS works, or FIRB in Australia, the thinking is that if the UK was the only country to be completely open, then anywhere state capital is underwriting companies, they would be able to snap up anything without regard to a fair market. Countries like China stand out, but there are many others as well that could leave the UK economy exposed."

New thinking?

To illustrate current government philosophy, consider ARM Holdings, the Cambridge-based semiconductor business. It was controversially sold to Saudi sovereign wealth-backed SoftBank for $32bn in 2016. Now the UK government has called in its proposed sale to US company Nvidia on national security grounds. What's changed?

Tugendhat thinks the initial 2016 decision was a mistake but, he argues: "Clearly, there's an element of this government taking a different approach, but also the situation has changed. COVID-19 looks likely to have empowered those able to draw on the depth of the state and has led to people viewing sovereign capabilities in a different way. There's a different understanding of where we are."

One area in the spotlight post COVID-19 is that of supply chains. Raoul Ruparel OBE was an adviser to Theresa May's government on Brexit, and is now Deloitte's director of trade and investment policy. He says that since Brexit, and throughout the pandemic, supply chains have shown themselves to be fairly resilient.

"They faced some challenges in terms of higher costs and admin, but overall they've held up and as yet we haven't seen a massive realignment. I don't see much desire to move back to re-onshoring supply chains. So, in that sense, in terms of M&A, deal flow and investment, I don't think we'll see a massive shift. I think most people have been pleasantly surprised by how well global trade and supply chains have held up despite COVID-19, Brexit and other potential shocks."

'Large conglomerates are better equipped than SMEs to navigate these challenges'

Hugo Parson
head of origination, Deloitte

Ruparel's Deloitte colleague Hugo Parson, head of origination, does however point out: "Large conglomerates are better equipped than SMEs to navigate these challenges and if you look at some of the market commentators, they're predicting a wave of restructurings and insolvencies in SMEs."

But he sees favourable financing conditions and significant amounts of dry powder as being strong deal-drivers: "Private equity deal flow in Europe reached £50bn in four of the past five quarters and this activity is unlikely to slow. The available capital to invest significantly exceeds the investment opportunities right now."

This may seem counter-intuitive, given the geopolitical uncertainty. But perhaps this uncertainty is now simply built into a market that's hungry for higher returns.

Safety first

Tugendhat – a China hawk by nature – does not view the National Security and Investment Act as incompatible with an open economy: "The Foreign Affairs Committee is constantly considering business because the point of foreign affairs is about how we protect the interests of British people, how we keep ourselves safe. Central to that is ensuring we have a prosperous future. That's about industry and enterprise, not just ideas."

The committee has examined Russian activity in the UK's financial system and foreign interest in the UK's education system, he says.

Regarding the EU, he observes: "The past 3,000 years of British history are about how we deal with European partners – that's the fundamental. Sometimes we deal with them well, sometimes not so well. This has literally been the nature of British policy for many, many years."

Unlevel playing field

Even with the somewhat newer dynamic between the UK and China, Tugendhat says: "The reality is we do need to have shared cooperation, we do need to have some elements of joint action." However, he adds,"Let's not pretend that the markets are equally open in both directions. The way in which China's responses have changed, how it behaves towards us and the effect this has on all of us is really problematic."

At the beginning of May this year, the *Sunday Times* published an investigation into Chinese investment in UK companies. At £134bn, it includes Tencent's investment in healthtech unicorn Oxford Nanopore and state-owned China General Nuclear's one-third stake in Hinkley Point power station. The newspaper reiterated that with general opacity, there is concern about the extent to which even individual investors or privately owned Chinese companies are agents of the state. "We look at trade in a commercial way – the Chinese government sees it as national strength," Professor Steve Tsang, director of the China Institute at SOAS told the *Sunday Times*.

In 2015, then prime minister David Cameron, his chancellor George Osborne and Chinese president Xi Jinping enjoyed pints of Greene King beer at The Plough at Cadsden, Buckinghamshire, heralding a new era of Sino-Anglo trade and relations. Within a year of that meeting, the pub had been bought by a Chinese investor. Two years

GETTY IMAGES

TRADING PLACES
A NEW US?

TOM TUGENDHAT
Conservative MP, chair of the Foreign Affairs Select Committee

"Trade deals with federal states are difficult. Most of the deals we want are service-level agreements and federal states often do services at a provincial or state level, rather than the federal level. US lawyers can't practise in every state and financial services need separate licences. Countries such as India and Australia have similar internal barriers. So, I don't think there is some epic US trade deal around the corner.

"How much does it matter? Probably not quite as much as you might think. The reality is that between the US and the UK, we have two of the most open economies. We've got so much going on between us already, in terms of all of our cooperation, that we know we can work together closely without getting too wrapped up in trade deals."

LORD TIM CLEMENT-JONES CBE
Liberal Democrat peer and member of the Corporate Finance Faculty's board

"People make a big mistake thinking macro American policy changes with the political parties. Not having Trump tweeting at 6am is wonderful, but Joe Biden is going to be as pragmatic over the American trade policy and is not going to suddenly rush into a deal with us.

"CFIUS has been around for an awfully long time. In a sense, you could say that our National Security and Investment Act is an imitation of CFIUS. America isn't going to suddenly cave in on demands for agricultural imports, for instance, but again, it may be that the climate-change agenda will be more important to them.

"Then there's the whole area of regulations. There is a rather different American culture to regulation, but now there's more of an appetite for it around climate and the environment than there was under Trump."

THE NATIONAL SECURITY AND INVESTMENT ACT

DAVID PETRIE, head of corporate finance, ICAEW, sits on the government's new Expert Panel

"The Corporate Finance Faculty has been actively engaged with government on the Act throughout its passage. We responded to the Green Paper and the White Paper, and we also assembled consultative round tables with leading market participants and arranged a number of personal meetings with ministers and officials, so that the government can understand more about the practical implications – for advisers and also for investment – of screening deals in the middle of a transaction.

"While we recognise that only a small proportion of transactions are likely to be blocked or adjusted by the secretary of state, the government is trying to solve a difficult problem. Its solution is to cast a wide net – capturing, in its own estimates, between 1,000 and 1,830 transactions a year. This will be a shock – and a step-change – for many M&A advisers, when, for the first time, they have a deal captured by the new screening regime.

"Under the terms of the Act, a transaction can, in the extreme, be declared null and void by the secretary of state. Some very severe sanctions are included in the Act, including fines and even imprisonment for the directors of companies, so it's certainly not legislation to be ignored or taken lightly.

"But what the government is trying to deal with here are hostile actors, with the resources of the state at their disposal. Trying to legislate against people who have those kinds of resources and that sort of intent is an extremely challenging task.

"The complex Bill was subject to a good deal of scrutiny at committee review stage in the Lords. Lord Leigh, former chair of the Corporate Finance Faculty, Lord Clement-Jones, a current faculty board member, and other peers tabled a very large number of extremely helpful amendments. These included a notable successful amendment from Lord Leigh, which lifted the ownership trigger threshold up to 25%.

"As well as seeking certain important amendments to the legislation, our approach at ICAEW has been focused on ensuring the government provides adequate resources to the Investment Security Unit (ISU), which is the brand-new department at the Department for Business, Energy and Industrial Strategy. With 1,000 transactions, that's roughly four per working day for the whole year. Compare this to what we are used to with referrals to the government regulator under competition law. The CMA might review 10 to 15 deals a year.

"I've had a number of meetings with politicians and ministers to discuss the practical implications and what market participants need from the ISU to get this to work effectively. We've continued to engage with government as it publishes market guidance notes, and one of our major campaigning themes has been to ask the ISU for quality guidance for all market participants.

"Transactions don't happen in a vacuum. For the vast majority of deals, it's necessary to try to maintain competitive tension. Before you grant exclusivity to one party, the ISU should be happy to talk to sellers' advisers, allowing them to understand whether what they're selling is likely to be caught by the legislation and whether or not potential buyers for the business are likely to be required to notify."

For more information and additional resources visit icaew.com/nationalsecurity after that, the brewery itself was snapped up by Hong Kong tycoon Li Ka-shing in a £4.6bn deal.

This was the era in which China's Belt and Road Initiative was spreading money and soft power around Asia, Africa – and Europe. There seemed to be less interest in any definitions of national security at that time.

Known unknowns

Chow remarks: "Uncertainty in policies is usually one of the reasons why deals stop, because in order to identify suitable deals a lot of work needs to go into preparation, evaluation, and getting lawyers and accountants involved. If there is uncertainty about what type of deals might or might not be welcome, that will be what stops the deal flow."

Thinking about blocked deals involving Huawei, as well as the Microsoft/ByteDance collapsed takeover, Chow explains: "The US and UK want to work with China in certain areas such as climate, but at the same time are very protective of certain industries, such as tech. The dynamics around impact on global M&A are very unclear because of the fact that in one sense, the sovereign or the government wants to strengthen their global position, and to establish allies.

"But then at the same time, they've tried to be much more protective of certain industries. And sometimes you don't know why a leather industry or food or paper industry is included on that list as well (in the case of Japan). Why is one company a national security issue, but another not? It's very unclear. I think it's best to monitor and understand the different aspects and viewpoints of sovereign risk."

Ruparel argues that the key point is how national security is defined. "That means clarity around the criteria, when and how certain takeovers might be assessed, and also the certainty and stability in there being a long-term definition, and it being in place for a substantial period. You need a swift system for triage and funnelling the different takeovers, and making quick decisions about what is and is not subject to any kind of scrutiny."

The right environment

While acknowledging the importance of cooperation with China, Tugendhat sees greater problems with the superpower's ownership from both national security and ESG perspectives. ESG is increasingly important in how businesses position themselves.

Ruparel echoes this, believing that, if the UK becomes an agenda-setter in ESG, "there are plenty of opportunities to leverage that".

In the end, says Tugendhat: "The challenge with ESG is to make it count. That's where the work we're doing on the committee about Xinjiang [home to the Uighurs], for example, is important because that work is fundamentally about ESG. How can you be ESG-compliant if one of your principal clients is a brutal dictatorship?"

'Uncertainty in policies is usually a reason why deals stop'

Christine Chow global head of strategic governance and ESG integration, IHS Markit

'You need quick decisions about what is subject to scrutiny'

Raoul Ruparel director of trade and investment policy, Deloitte

Balancing act

Liberal Democrat peer Lord Tim Clement-Jones CBE, who is deputy chair of the All-Party Parliamentary Group on China and an ICAEW Corporate Finance Faculty board member, says: "There's quite a tension between investment and national security. With the new legislation and dynamics around trade, businesses will have to be politically advertent. They'll have to look up the 17 sectors that the government thinks are sensitive. They must consider the market guidance – which is being produced as a direct result of the ICAEW's representations – and think quite carefully and geopolitically about who's in and who's out."

Clement-Jones does see supply chains as a potential concern: "Globally, I think repatriation of supply chains will become an issue. Navigation will be key for business. These things ebb and flow. Over the 20th century, they expanded, shrank and expanded again. But, especially as a result of Brexit, the pandemic and people's understanding of how the vaccinations were manufactured – and as a result of our new, much poorer relationship with China – repatriation is going to be the impulse.

"Businesses can't suddenly say, 'Sorry, we're not going to source from China.' But there's a lot of political anger about Hong Kong and the Uighurs. So," he asks, "what is the best way of engaging with China? The obvious things are not sourcing from sensitive provinces and not dealing with issues that could give rise to the sort of national security concerns that Huawei did. But I would say there are positive ways of engaging, because we have to. If we don't, we won't see net zero by 2050.

"China isn't suddenly going to disappear as a trading and investment partner. But we need to pick and choose. And that's what I mean by navigation," he says.

GETTY IMAGES

INNOVATION TALKS

The UK government replaced its Industrial Strategy with a Plan for Growth in March. **Shaun Beaney** looks at what's new and why it matters to businesses in Britain – and beyond

The new Vaccines Manufacturing and Innovation Centre in Oxford is set to open later this year; the Francis Crick Institute in London (below right) leads the way in medical innovation

The undignified political kerfuffle in April about how Boris Johnson had funded the refurbishment of his Downing Street private apartment included a side story with its own small irony. Texts sent last year by the prime minister to one of Britain's most successful entrepreneurs and inventors, Sir James Dyson, about the potential tax treatment of the industrialist's employees should they become involved in manufacturing ventilators, were allegedly leaked by Dominic Cummings, the PM's former chief adviser. Cummings was the driving force behind the government's £400m investment to buy satellite-network-in-the-making OneWeb out of Chapter 11, and was at one time acclaimed as the Conservative government's champion of innovation.

Putting this political soap opera to one side, there are much more important innovation challenges for the UK to tackle. One example is the phasing out of combustion engine vehicles over the next few decades, which will require massive investment, and not only in forms of propulsion, but also in novel transport networks, energy generation, manufacturing techniques and supply chains.

> 'Economic development for health, education, employment and housing depends on effective innovation'

Public money is, of course, a major factor in much innovation activity – not least the development, production and distribution of vaccines in the fight against COVID-19, in which Johnson's government has been very successful. But corporate financiers tend to focus on the commercialisation of new technologies – when they are pushed out into the market and begin to attract significant private capital.

Plums in the pudding

Innovation investment is a big contributor to economic growth. After the Brexit referendum in 2016, Theresa May's government devised a new industrial strategy with the aim of increasing the country's investment in R&D as a proportion of its GDP. The strategy included £4.7bn of additional government money by 2020-21. The UK lagged behind the likes of Germany, the US and France in R&D investment. Other international pressures included China's 10-year strategy, announced in 2015, to make the country a high-tech manufacturing superpower and self-sufficient in industries such as computer-chip fabrication.

In 2016, ICAEW's Corporate Finance Faculty published *Boosting Finance for Engineering & Technology* with the IET, and in 2017 was heavily involved in the government's Patient Capital Review. In 2017, the government published its Industrial Strategy and the faculty hosted the first major conference about the Industrial Strategy Challenge Fund (see icaew.com/boostingfinance).

Development of the strategy had involved a 132-page Green Paper and a 254-page White Paper. It included five 'foundations of productivity', four 'grand challenges', 10 'pillars', several 'sector deals' and 142 policy commitments.

About £45bn of public- and private-sector money has been committed to those projects so far. But when Kwasi Kwarteng became secretary of state for Business, Energy & Industrial Strategy in March 2021, he described the 2017 programme – which had been spearheaded by his predecessor Greg Clark – as "a pudding without a theme". Kwarteng promptly disbanded the Industrial Strategy Council. The council had pointed out that the Johnson government's own *Build Back Better: our plan for growth,* published on 3 March, included 180 different measures.

A new plan

The prime minister wrote in the foreword to *Build Back Better* that he wanted a "strong and active government investing massively in science and technology, coupled with a dynamic enterprise economy that embraces the instincts and know-how of the private sector".

The plan included a recommitment to invest £14.6bn in R&D in 2021-22. UK Research and Innovation (UKRI) – the umbrella body for the research councils that provide £8.5bn per year – is only briefly mentioned. Also, for a 'Brexit' government, pan-European

'In the UK, innovation requires increased, sustained public investment as well as private-sector capital'

collaboration via the EU's highly effective Horizon science programme has been somewhat undesirable.

Long-term, consistent research investment, as well as commercialisation via government departments, state procurement and the Innovate UK agency (part of UKRI), are economically vital. The Labour Party has argued for a guaranteed 3% of GDP to be spent on science and research, instead of the government's target of 2.4% by 2027.

This government has been a little more enthusiastic about launching the Advanced Research & Invention Agency (ARIA) – a pet project of Cummings before he left Downing Street.

ARIA will be funded to the tune of £800m over the next three years. It will back so-far unnamed "high-risk, high-reward" R&D projects that might take up to 15 years to reach success. The new agency will be independent of UKRI and loosely based on the Defense Advanced Research Projects Agency (DARPA) in the US. But DARPA receives $3.8bn (£2.7bn) of financing per annum.

In February, the House of Commons Science and Technology Committee said that the need, remit and "government client" of ARIA had not been clearly identified. Committee chair Greg Clark called it "a brand in search of a product".

GETTY IMAGES; ALAMY

Horizon scanning

On the corporate finance beat, the Future Fund, set up as one response to the COVID-19 crisis, has been expanded from £250m to £1.2bn. The British Business Bank, which manages it, has so far committed convertible loans to more than 1,200 high-growth, VC-backed companies. This is going to be extended into a 'Breakthrough' programme.

The Corporate Finance Faculty's work when it comes to innovation investment has often focused on collaboration with bodies such as the British Business Bank, which supports 100,000 smaller and growing companies, and Innovate UK. The faculty's aim has been to encourage more public and private investment, encourage the provision of expert advice and highlight the beneficial aspects of corporate transactions, which are globally worth between $3.5trn and $4trn annually.

There are overlaps between the faculty's activities on this front and its others in public policy, representation and technical guidance. These include national security, the new UK Infrastructure Bank, the review of the UK listings rules, fiscal incentives for SME investment, and state aid (all reported in recent issues of *Corporate Financier*).

Such areas of public policy often intersect. One example was the UK government's recent decision to review formally – on competition and national security grounds – the potential $40bn takeover of Cambridge-based chip designer Arm by US giant Nvidia.

Economic development for health, education, employment and housing – let alone to overcome climate change and COVID-19 – depends on effective innovation. In the UK, that requires increased, sustained public investment as well as private-sector capital and expertise. Globally, it's likely to mean much more international cooperation – and, we hope, much less 'vaccine nationalism'.

Shaun Beaney works for the Corporate Finance Faculty on innovation investment, access to finance, high-growth companies and venture capital

KEEPING IT REAL

It has been a challenging year for business – and for advisers – but it's also provided an opportunity to fully test the benefits of virtual due diligence. How much will stick over the longer term? Vicky Meek reports

When the COVID-19 pandemic first hit the UK in February 2020, few would have believed that we'd still be living restricted lives more than 15 months later. And fewer still would have predicted that, despite this, deal making would be so busy. According to Refinitiv, M&A with UK involvement in Q1 2021 reached the highest volume in this period since 2007, at 1,222 deals; by value, at $120.9bn, it was 16% higher than the same period in 2020. And all this happened while the UK had been living under some of the toughest restrictions on the planet.

Due diligence teams across the UK have clearly been exceptionally busy. But how have they managed this throughout a period when travel has been all but banned?

"We've worked remotely on almost every transaction," observes Jon Stubbings, transaction services partner at Grant Thornton. "That's been the biggest change – no big in-person kick-off meetings and virtually no site visits."

No entry

As with nearly every other office-based activity, due diligence has become pretty much 100% virtual, with client, bidder and team meetings all conducted on video calls. Meanwhile, the parts of the process reliant on travel, such as factory floor tours or visits to warehouses in order to check inventory or other assets, have often either had to be entirely removed from the scope of due diligence work or severely cut back, with drone technology employed instead, if appropriate. This has caused some challenges.

Kirsty Sandwell, partner and head of transactions at RSM, says: "The functional part of the deal – the process – has been enhanced by these new tools. Arranging weekly deal meetings with 10 people was difficult and conference calls with any more than a couple of people are a nightmare to manage. Clients can see it's inefficient to have all those people visit, for them and the adviser."

Overall, transaction services professionals found the shift to virtual processes far less painful than they might have expected. Mark Diffey, a transaction services partner at Deloitte, says: "I've been surprised how well it has worked. We'd normally sit in clients' offices for vendor due diligence work, for example, but we've been able to carry out this often complex work remotely."

Aside from the now-ubiquitous video calling technology, among the biggest enablers of remote due diligence have been collaboration tools. While most firms and many companies had already begun using these to some extent, they have really come into their own since the start of the pandemic.

Dan Rosinke, a partner at Grant Thornton, explains: "It's been a while since we relied on faxes and different coloured pens to share and mark up documents, but not everyone was using the newer tools available. The pandemic forced everyone to collaborate online out of necessity. Now, everyone can be working on the same document at the same time and mark it up live."

There are other efficiencies, too. He adds that remote working allows more frequent, more focused online meetings with management teams and real-time partner reviews, which enable early identification of issues.

Cause and effect

Clearly, understanding the effect of the pandemic on targets has been one of the biggest streams of due diligence work over the past year. "Setting the right scope can be quite a challenge," says Dave Riley, a partner at Crowe. "While some of COVID-19's impacts can be quite obvious, it can be difficult to understand how permanent any effect will be – both positive and negative."

This can mean having to dig deeper and more broadly. "We are looking further ahead and going at least one step beyond the immediate business performance in our analysis," says Riley. "We need to look very closely at the current and future impact on the end customers, on a month-by-month basis and across different scenarios."

As a result, data analytics tools have become even more important. Rosinke explains: "If we really want to understand how the numbers stack up at a time of significant uncertainty, especially in the absence of site visits, we have to redouble our efforts on data analytics," says Rosinke. "It's not always possible to get perfect information, but today, we need to be able to triangulate lots of different data to answer all the relevant questions."

It's no coincidence that firms such as mnAI and MarktoMarket – both providers of sophisticated data platforms and analysis tools – have joined the Corporate Finance Faculty in the past year.

Staff support

It's clear that the restrictions put in place have permanently changed the way people work, and due diligence providers will be keen to retain as many of the more efficient practices as possible. Some form of remote working, virtual meetings and online collaboration are evidently here to stay,

'We are going at least one step beyond the immediate business performance in our analysis'

Dave Riley
partner, Crowe

'It's hard to catch nuances when you're screen-based'

Dan Rosinke
partner,
Grant Thornton

'The functional part of the deal - the process - has been enhanced by these new tools'

Kirsty Sandwell
partner and head of transactions,
RSM

'As with nearly every other office-based activity, due diligence has become pretty much 100% virtual, with client, bidder and team meetings all conducted on video calls'

MATT KENYON / IKON IMAGES

DILIGENCE AT A DISTANCE

Rentokil Initial clocked up 23 acquisitions in 2020. The acquired businesses brought the group additional annualised revenues of more than £150m. The cash spend was £180m (of which £150m was in the second half). Chris Hunt, Rentokil head of M&A, who's also a member of the Corporate Finance Faculty's board, gives a trade acquirer's view of due diligence in a COVID-19 and post-COVID-19 world.

"After a strong Q1 last year, we decided to pause M&A during Q2 so we could focus on preserving cash. A year ago, it would have been hard to envisage doing deals in H2, but it actually became clear pretty quickly that overall our business was resilient to COVID-19, so we resumed activity.

"The process didn't change significantly for us – we've been using virtual communications for more than five years now. A large volume of our smaller transactions are mostly outside the UK. Our colleagues in the relevant countries tend to carry out the due diligence and we have made our M&A process largely modular and replicable.

"We encourage sellers to populate the bulk of the dataroom and we are asking for information around the impact of COVID-19. We try to understand the impact on the ultimate customer base. Will they require our services when they reopen, or are they gone for good?

"The pandemic has forced sellers to have greater familiarity with a virtual process, and this has added some efficiency as we're not flying out to see businesses and meet sellers. But we have definitely missed the personal element. Normally, we would try to build a rapport with sellers and establish trust, but video calls tend to be quite transactional.

"This means we might be more efficient at the early deal stages, but without that rapport 'in the room', resolving deal issues takes longer. You can tell a lot about the quality of a services business just by being among its people. We often do deals in new territories and it's very difficult to get a read of a small business in Lahore or Lagos without visiting it. While we've found it's not essential, it can affect the mood music around a deal.

"We've also completed some sales and we've found the process more efficient on that side. Previously, we'd have dragged the management team to meet a variety of bidders. Now, we allocate an hour or so to each for a virtual meeting.

"Through all this, we've learned that the default shouldn't be to hop on to a plane. Face-to-face meetings will probably take place at the beginning and end of the process, but in-between, virtual meetings work fine.

"The danger is that we suck the joy out of deals and turn them into a process. Many who work in deal environments get energy from meeting others and working late nights together in teams; you don't get that from a screen."

as big firms such as KPMG and Deloitte have announced reduced office time for staff.

For many teams, the biggest issue will be how to navigate their way around the new work methods on a more permanent footing. The pressure of deal processes has always meant that work often spills over well into personal time. That can be more of a challenge when working from home.

Mix and match approach

"We want to hold on to the aspects that have increased efficiency," says Rosinke. "And we believe it's more inclusive to have people able to work from home some of the time. But we recognise that work/home lives have a tendency to be more blurred if you're working remotely, so we will need to find ways of addressing this."

Deloitte's Diffey agrees: "We really need to be mindful of the impact an 'always on' way of working has on mental health," he says. "We need to find the right balance between supporting our clients and supporting our people in what is a highly demanding market environment."

When they can resume, face-to-face meetings – both formal and informal rapport-building – will be welcomed. "Some of the most interesting conversations between buyers and management teams happen informally," says Diffey. "Having fireside chats or talking over dinner forges relationships and helps build trust."

This will ease the inevitable difficult conversations that often need to happen between the different parties to a transaction, or advisers working on it. "It's hard to catch nuances when you're screen-based," says Rosinke. The firm recently worked on a project where "some difficult negotiations took several attempts to resolve and frustrated the process", he says. "If we'd been able to get everyone round the table, it would've been quicker and more productive."

Site visits and factory tours will also return, given the importance of seeing stock levels up close, how space is being used or could be used, or how buildings are being maintained.

The personal touch

"Visits prompt a lot of questions and you pick up a great deal of information from the person showing you round," says Riley. However, most believe the days of extensive travel are over, with a likely pattern of in-person meetings at key points and virtual calls in between, which have often proved easier to arrange than physical meetings.

Stubbings explains: "We want to get back to building relationships with clients and getting to know a business by really seeing how it works. It's not just more effective, it's one of the most enjoyable parts of the job."

RSM's Sandwell says they are preparing for the new norm. "We have been developing new training in-house on how to get the most from working in a Teams environment – how to pitch say, or how to control a meeting," she adds. "It's here to stay, and so we're having to learn new skills."

'We need the right balance between supporting our clients and supporting our people'

Mark Diffey
transaction services partner, Deloitte

'Getting to know a business is one of the enjoyable parts of the job'

Jon Stubbings
partner, Grant Thornton

SELL-SIDE VIEW

Vendor due diligence (VDD) work was already on the increase well before the pandemic, yet it has become an essential part of the M&A process over the past year. In particular, it helps potential buyers better understand the impact of COVID-19 on a business before embarking on their own due diligence.

"VDD has become more valuable in the current environment," says Dave Riley of Crowe. "Because there has been such uncertainty over the past 12 months, working on these assignments has really sharpened minds about the focus of our report and how it is presented."

Grant Thornton's Jon Stubbings agrees. "This has shone a light on the real value of understanding the robustness of the numbers," he says. "There is so much 'noise' and difficulty analysing them, especially as businesses have been affected differently. How do you set a number on which to price a business, when there is such a wide range of potential answers?"

It is also helping to bridge the gap between buyers and sellers at a time when they can't meet in person. Deloitte's Mark Diffey says: "VDD has become very important when there is no face-to-face time. It allows complex concepts to be communicated to buyers – and they only have to be explained once to us rather than multiple times in a series of meetings."

And this may be an area of due diligence that benefits considerably from the pandemic, as VDD is now being carried out even on smaller businesses, and as its value is increasingly being recognised.

"There's been a real focus on the quality of work and how you have arrived at the numbers – it has been incredibly interesting from a purist's technical perspective," says Stubbings.

MATT KENYON / IKON IMAGES

Career paths

On the tech trail

Recently promoted to partner, **Siobhán Langwade**, tech and life sciences specialist at Taylor Wessing, has just entered the next stage of her career. She tells Jo Russell about her plans for the future

When did becoming an M&A lawyer first appeal?
While at law school, I'd set my sights on being an M&A lawyer in the City. However, the fallout from the 2008 downturn meant that getting a City training contract was hard, so I accepted one in a small regional firm with a view to getting qualified – I knew I needed to gain more M&A experience before approaching City law firms.

I went to Stevens & Bolton in Guildford in 2014. It was a great stepping stone, with a lot of ex-City lawyers doing good-quality work.

I did a couple of deals where Taylor Wessing was on the other side of the table and I was attracted to its clients. It was very entrepreneurial, creating disruptive technologies in a growing sector. I joined Taylor Wessing in 2015.

What deals have helped to shape your career?
At Stevens & Bolton, I worked on a large deal concerning a fintech company that had created a payment technology just as there was huge growth in online payments. It secured investment from an American VC, which made five times its investment within two years. I found that incredible and it made me want to be part of that sector.

My first Taylor Wessing deal was acting for a client buying a football club, where I saw the importance of having a real understanding of the business being bought. It was a lesson in the softer side of corporate deals.

What is your role now?
I was promoted to partner in May 2021. I'm in the corporate technology and life sciences team, which is part of the corporate group. My focus is on M&A and I normally have two M&A deals in full swing at any one time.

I also have some investment work, as it's important to keep up to date with market practice. It makes you a better M&A lawyer because you understand the process that the company has gone through to get to that point of exit.

I also have ad hoc enquiries from longstanding clients.

Why focus on the technology sector?
Doing so has paid dividends. Our lifecycle advisory work means we can support clients from seed-round investment through to exit. That can be a long process. Companies are staying private for longer than they used to, with more money being invested. Holding on to those relationships is very important.

We have a strong US client base, made up of mainly West Coast companies looking for European assets to buy.

> 'Our lifecycle advisory work means we can support clients from seed-round investment through to exit. That can be a long process'

What recent deal stands out?
One of our big US West Coast clients, which specialises in customer experience management, had two deals that it wanted to run concurrently. We had a four-week timeline to close them both.

One, buying a UK VC-backed company that had around 150 shareholders, was probably the largest deal the client had ever done. The other, buying a company from two shareholders in Europe, was most likely the smallest deal.

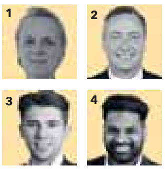
They were two very different transactions, with different nuances, running simultaneously – a challenge that thankfully came off.

What are your targets as partner?
My business plan is to grow our M&A practice. We have such a wealth of data within our team from deals we've done in the UK and internationally. I want to use that data to go to the market to show our expertise and experience.

Hopefully there will be a desire to build, or rebuild relationships that might have been lost over the past year because of the COVID-19 crisis. To support that, we have to grow our team, making sure we're recruiting, retaining and training the best talent.

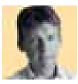
Connections

Who's on the move in the world of corporate finance, private equity and legal



James Cowper Kreston has recruited Anne Briggs (1) as head of origination in its corporate finance team, from Thames Valley advisory firm Wilson Partners, where she headed up business development. She has previously worked at Investec, Deloitte, WestLB Panmure and Robert Fleming. She will be based in Reading.

Within the corporate finance team, Brad McAvoy (2) has been promoted to partner in Reading, Dylan Polley (3) to senior manager in London, and Nikul Patel (4) to manager in Reading. McAvoy joined the firm in 2018, from KPMG in Australia; Polley in 2017, from Grant Thornton; and Patel joined the audit team in 2015, where he trained as an ACA, before moving into corporate finance.



Moore Kingston Smith has recruited Damian Ryan as a partner, from BDO, where he was the tech and media M&A leader.

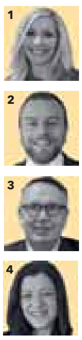
Ryan has a deep understanding of the needs of media and technology business owners, having owned his own publishing company. He founded digital marketing agency ICAN in 1997, before moving into advisory services for media, setting up his own consultancy. He wrote *Understanding Digital Marketing*, now in its fifth edition and endorsed by Harvard.

Ian Hart, joint chairman of UK investment banking at UBS, will become director general of the **Takeover Panel** at the beginning of July 2021, on a two-year secondment. He succeeds Simon Lindsay.

Hart started his career in banking at SG Warburg in 1990. He then worked for Schroders and Morgan Stanley, before joining UBS in 2016.

ICAEW is a member of the Takeover Panel, with the Corporate Finance Faculty acting as the institute's technical adviser and liaison.

Philip Olagunju has been promoted to partner at Cambridge-based M&A boutique **PEM Corporate Finance**. He has been with the firm for four years. His career started with RSM in Nottingham in 2005 as a corporate finance analyst. He worked for BDO, before returning to RSM, but in Milton Keynes. He holds the ICAEW Corporate Finance qualification.



Nicola Merritt (1) has launched **Cortus Advisory**, a North West M&A and restructuring advisory firm, with James Groot (2), John Hughes (3) and Jenny Kirkham (4).

Merritt was previously a transaction services partner at Dow Schofield Watts and before that, a director in KPMG's transaction services team, where all four partners previously worked together. She trained as an ACA with KPMG.

Groot, a turnaround specialist, spent 14 years in KPMG's restructuring team, before setting up his consultancy, JPG Advisory.

Hughes was a transaction services partner at KPMG in Manchester until 2016, spending 29 years with the firm. He was then chairman at Qualtex Global for two years, then Yodel for two years. Kirkham trained as an ACA with KPMG.

Investment advisory firm **Time Partners** has recruited Crispin Payne (1) as chief transactions and operating officer; Ed Stubbings (2) to its strategic advisory practice; and James Morrison (3) as investment analyst.

Payne, who spent 15 years at Coller Capital, joins from SVP Corporate Development. He has also worked for Hambros Bank and Dresdner Kleinwort Capital in its European technology team.

Stubbings spent six years as a founding team member of global placement agent BearTooth Advisors, which was acquired by Houlihan Lokey in 2018. He began his career in leveraged finance at Bank of America Merrill Lynch.

Morrison has joined from Dunedin. He is an economics and finance graduate from Heriot-Watt University.

Dow Schofield Watts has promoted Dan Walker (1) and Tom Dutton (2) to associate director, and Ross Thomas (3) to manager, in its corporate finance team. Walker and Dutton joined in 2017, from KPMG, where they trained as ACAs. Thomas joined in 2019, from building materials company Kingspan, having trained as an ACA with KPMG.

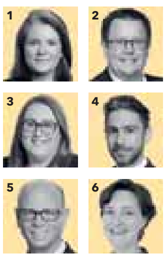
In the firm's North West transaction services team, Rob Parker (4) has been promoted to director and Rebecca Smith (5) to manager. Parker joined in 2015, from Grant Thornton, and Smith in 2019, from PwC. Both are ACAs.

KPMG has promoted Tim Nicholson (1) to debt advisory partner, and Mark Rumble (2) and Gary Hinton (3) to associate partner in SPA advisory and transaction services respectively. All three are based in London.

Nicholson joined KPMG in 2002 and Rumble in 1995, both from university. Hinton joined in 2015, from PwC.

The firm has also made 17 promotions to director: in London, Alastair Kisby, Dhawal Ghatalia, Jaymes Mackay, Laura Mace, Chris Barber, Ian Wood, James Gill, Anthony Yu, Mohannad Hassan, Paddy Goodlet, Sarah Costello, Stephanie Fare and Steven Lewis; Stephen Leah in Leeds, Colin Boyd in Glasgow; Michael Downes in Newcastle; and Daniel Booth in Manchester.

Legal briefs



Taylor Wessing has promoted Siobhán Langwade (1) and David Bates (2) to partner in its corporate technology and life sciences teams in London and Silicon Valley respectively, and Fiona Coady (3) and Gabriel Estevez (4) in its London banking and finance team.

Langwade specialises in cross-border M&A, with a focus on transactions arising out of North America. She is featured in 'Career Paths' on page 31 of this issue.

Bates co-heads the Silicon Valley office and has more than 20 years' experience in international M&A, VC investments, joint ventures, and other complex transactions in the technology sector.

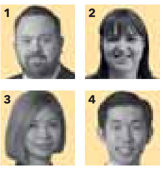
Coady has experience in leveraged and acquisition finance, receivables and asset-based lending, private placements, venture debt and structured finance. Estevez has experience with family offices, start-ups, private equity houses, debt funds and alternative lenders.

The law firm has also opened a Dublin office to focus on tech and life science in the Republic of Ireland. Corporate partner James Goold (5) and international co-head of life sciences and healthcare Alison Dennis (6) will initially divide their attention between London and Dublin.

Dentons has appointed Paul Jarvis (1) as UK, Ireland and the Middle East CEO in Abu Dhabi.

In London, James Davison (2) has been promoted to corporate partner and Sarah Lima (3) to partner in its TMT team. Davison joined Dentons in 2015, from Birketts, and Lima joined in 2013, from Fieldfisher.

The global law firm has also recruited Namik Ramić (4) to its corporate and M&A practice in Luxembourg, from Elvinger Hoss Prussen, where he was partner.

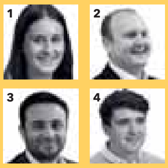


Gibson, Dunn & Crutcher has poached the Herbert Smith Freehills regulatory team in Hong Kong. Led by partner William Hallatt (1), the team also comprises associates Emily Rumble (2), Becky Chung (3) and Arnold Pun (4).

John Coleman (1), Gemma Phillips (2) and George Danczak (3) have been promoted to partner in **Addleshaw Goddard**'s corporate practice, Coleman and Phillips in London, Danczak in Manchester. All advise on transactions. Prior to this, Coleman was at Clifford Chance and Freshfields Bruckhaus Deringer, and Phillips at Travers Smith and PwC Legal.

Ferdinand Mason has been hired by **White & Case** as a partner in its London global M&A practice, from Jones Day, where he was partner.

PE shorts



August Equity has promoted Katie Beckingham (1) to manager. It has also recruited Greg Walsh (2) and Mark Stevens (3) as managers, and Michael Coates (4) as an executive.

Beckingham joined in 2018, from Barclays' UK M&A team.

Walsh joined the investment team from PwC's corporate finance team. He also undertook a secondment to PwC's investment banking division in New York. Stevens and Coates have joined the portfolio team.

Stevens was previously an associate director at Endless, and before that in corporate finance at KPMG, where he qualified as an ACA. Coates has joined from Grant Thornton, where he qualified as an ACA.

Prem Mohan Raj (1) has been made COO at **NorthEdge Capital**. He joined as CFO in 2016, from Livingbridge. He will oversee fundraising, investor relations, finance, operations and marketing.

The private equity firm has recruited John Hammond (2) as a director in its Manchester portfolio team, from the NorthEdge-backed East Coast Concepts, where he was managing director. He trained as an ACA with Landin Wilcock, Sheffield, before joining KPMG in Manchester.

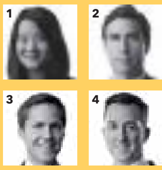
Kathy Hobbs (3) has joined as head of ESG, having completed her MBA at Alliance Manchester Business School. She started her career with PwC, where she qualified as an ACA.

Lucie Mills (4), head of business transformation, has been promoted to director. She joined in 2019, from JLA Group.

In the Leeds office, Nicola McQuaid (5), who joined in 2016 from JLA, and Mani Minhas (6), have been promoted to director and investment director, respectively.

Emily Henderson has been recruited as an investment director at **Growth Capital Partners**, from RJD Partners, where she was also an investment director. Prior to this, she worked in deal advisory practice at KPMG, where she qualified as an ACA.

The **British Private Equity and Venture Capital Association** has appointed Kerry Baldwin as chair of its council to 31 March 2022. Having trained as an ACA with BDO, she has more than 20 years' experience in deep tech venture capital. She is managing partner of IQ Capital, which she founded after working for Venture Technologies. She is also a fellow in entrepreneurship at the University of Cambridge (Judge Business School), and succeeds Silverfleet Capital chairman Neil MacDougall, who spent a year in the role.



Bowmark Capital has promoted Antonia Cheong (1) and Tom Elliott (2) to partner, Tom Keen (3) to investment director and Alex McRae (4) to investment manager.

Cheong joined in 2014, from DC Advisory, and co-leads the healthcare team. Elliott also joined in 2014, from PwC, where he trained as an ACA. He is in the firm's technology team and leads the financial services practice. Keen joined from Lyceum Capital in 2018, and McRae joined last year, from CapVest.

Tiffany Young has joined **YFM Equity Partners** as an investment manager in London, from venture capital fund Pentech, where she spent three years as investment associate. Prior to this, she was part of The AllBright Group founding investment team, and before that an investor at BGF.

Janine Hirt, COO of **Innovate Finance**, the industry body for UK fintech, has taken over as CEO on an interim basis, after Charlotte Crosswell stepped down. Crosswell has been CEO since 2017. She is managing director of Exadin and previously held positions at NASDAQ and the London Stock Exchange.

On my CV

Stay on track

Gary Partridge, managing director of Lexington Corporate Finance, had to keep his nerve when advising on the carve-out and MBO of Improve International

The CV

Gary Partridge started his career at PwC, where he trained as an ACA, focusing on corporate recovery. He then worked in corporate finance in London and Budapest, before joining BT Group's advisory team in a global M&A role. He spent three years at Finance Wales, where he launched its venture capital team, before returning to PwC to run its corporate finance team in the west of England and Wales. In 2016, he co-founded Lexington Corporate Finance, based in Cardiff, where he is managing director.

Recent deals

- AIM Logistics on its sale to Culina Group in May 2021
- iCOM Reward Works on its sale to Terryberry in February 2021
- Emma Bridgewater on its £8m investment from BGF in April 2020

What's the deal?

The £12.75m RJD Partners-backed MBO of Improve International, completed in June 2020. Based in Swindon, Improve provides continuing professional development courses for vets. It has operations across continental Europe, as well as in Asia, and was a carve-out from AIM-listed Benchmark.

There was a £9.5m payment on completion and £3.25m deferred consideration, which was contingent on certain performance conditions being met. Management took a 30% stake. There was no debt brought into the deal on completion, which appealed to Benchmark from a deliverability point of view – it was a very competitive process.

How were you introduced to the deal?

Initially, we were introduced to the business by one of Improve's non-executive directors. We were appointed following a beauty parade, after showing our interest in the deal and belief in the management team, as well as our experience of successful transactions in the training sector.

What were the timescales?

The sale process was launched in autumn 2019, with Q1 2020 the target for completion. First-round offers came in before Christmas. The shortlisted bidders had additional access to the team and information, and second-round offers were submitted at the end of January. However, the pandemic struck while decisions were being made by Benchmark and management on which path to follow to successfully conclude the transaction. They had to assess the potential effects on the business, the continuing appetite of bidders and a bank funder, and, ultimately, whether to pause the transaction. RJD saw the deal through to completion in June 2020.

Who were the other advisers?

We provided financial advice to management, while Clark Holt gave legal advice. Benchmark appointed Cavendish Corporate Finance as financial lead advisers and Squire Patton Boggs as legal advisers. Eight Advisory, a fairly new UK firm, led largely by ex-EY partners, gave sell-side advice on the carve-out to Benchmark. Grant Thornton and Capital Law acted for RJD.

What were the challenges?

Close attention had to be paid to identifying stand-alone costs for support that Benchmark currently fulfilled, as well as understanding the completion balance sheet, minus intercompany balances and dividends. But the biggest challenge was COVID-19. There was significant debate regarding the maintainable EBITDA, and what the effects of the pandemic would be upon figures presented in the information memorandum. For example, there was much debate about whether there would be an acceptance of a switch to online tuition, but in face it has been very high. When Improve runs courses, more people are registered now than pre-COVID-19. However, in March 2020, there was some nervousness about the willingness of vets to make this switch.

In the final analysis, Improve was regarded as COVID-19-resilient, with good medium-term visibility of its course booking pipeline and confidence in its ability to pivot more of its courses online. It also has a well-diversified geographic customer base. RJD bought into all of that and had belief in the management team, which really knew its market.

Were there any lessons learned?

'Keep calm and carry on' – all the advisers kept their heads and got the deal done, despite lockdown. Management pivoted quickly to present numerous iterations of the business plan, showing downside cases, which demonstrated a deep understanding of its business and the sector. That reinforced the saying: 'always know your numbers'.

PHOTO: MATTHEW HORWOOD