
INDEPENDENT SPIRIT

CORPORATE FINANCE ADVISORY IS HIGHLY DYNAMIC IN THE UK. IN THE MID-MARKET, NIMBLE PLAYERS HAVE CARVED OUT THEIR OWN NICHES. VICKY MEEK SPEAKS TO SIX INDEPENDENT FIRMS ABOUT THE DISTINCT APPROACHES THAT SET THEM APART



The total value of M&A involving UK companies hit \$375bn last year, according to *Reuters*. But the healthy flow of deals in recent times has been just one type of corporate finance work - with initial public offerings (IPOs), growth-capital deals, debt advisory and transaction services all bringing in the fees.

“The UK has the most developed M&A environment in the world,” says Jim Keeling, chief executive and chairman of Corbett Keeling. “Even more so than the US - where the size of the market means there is a lower concentration of advisers in each hub - and much more so than in continental Europe - where the pace of activity is not as fast.”

The dense population of corporate finance advisers in the UK - ranging from investment banks and the large professional services firms to mid-sized and small independent boutiques - means that the landscape is very competitive indeed.

“It has always been so,” says Alan Bristow, chief executive and founder of ICON Corporate Finance. “But it’s dynamic, with players changing as new entrants emerge, larger firms shift their focus and some boutiques sell up or merge.”

IN THE GAPS

Larger firms have always tended to move up the spectrum of deal sizes, creating spaces that independents can fill. “A decade ago, the Big Four had a strong share of the £30m-£150m, lower mid-market deal size range,” recalls Andy Currie, managing partner of Alantra’s UK M&A advisory business (formerly Catalyst Corporate Finance). “They used to be our main competitors, together with one or two of the boutiques. Today, if you’re looking at a £100m deal, it very much depends on which sector the business is in as to who we come up against.” Meanwhile, the annual volume of UK corporate finance deals involving the next tier of accountancy and business advisory firms is several hundred.

Differentiation and USP have arguably become vital for independent boutiques to win mandates. This can mean having single or multi-sector expertise, being a specialist in a specific type of deal or having a regional focus. The global nature of the economy means that even the smaller independents need international reach. The Big Four and investment banks may have global offices, but for independents the solution is often through affiliations with international M&A networks.

Many independents claim to offer a more personal, bespoke service, and say they are more flexible about fee structures than larger firms. Commercial acumen, the ability to understand client needs and get on well with family business owners, entrepreneurs and investors requires a personal touch. Boutiques continue to recruit from accountancy firms - as do mid-market private equity firms. But independents can also “grow their own”, argues Gary Partridge, managing director of Lexington Corporate Finance. As our interviewees detail in the following pages, this is partly due to fewer available professionals, but also wanting to develop staff with the skills they need.

THE SPECIALIST



As a technology specialist, ICON has seen significant changes in its target market over the past few years.

"It used to be that technology was considered a niche market," says CEO Alan Bristow, who co-founded the firm with Nicky Cotter in 1999. "That's no longer the case. Tech sits at the heart of the innovative and digital transformation that affects all industries. The markets are truly global and connected, changing the way businesses compete and deliver services and products. Start-ups can become global almost overnight with very little capital, and people are creating innovative, disruptive businesses across all industries."

The latest \$1bn-plus valuation unicorns might grab the headlines, but much of ICON's work is advising high-calibre, innovative businesses that employ up to 100 people, which Bristow describes as "agile businesses with big ambitions - attractive to investors and

global acquirers". Digital disruption reaches everywhere, so finding the right clients to work with can be challenging. Bristow says ICON's experience means the team has a clear understanding of which companies will gain traction with investors or buyers.

"We look for validation points beyond the technology and IP," he says. "We look at the people and we sit down with management to understand what it is about the business that will make it attractive."

And of course, global connections are vital. "We've sold to buyers in Australia, Singapore, Japan and the US recently," says Bristow. "We operate out of London, but now have a first-hand network of international relationships. That network's not something that's come overnight and has taken years to build."

Recent deals include a strategic investment by JP Morgan into fintech business Mosaic Smart Data and the sale of medtech company Optimum Contact to US-based IQVIA.

"We've sold to buyers in Australia, Singapore, Japan and the US... That's not something that's come overnight and has taken years to build"

Alan Bristow,
chief executive,
ICON Corporate Finance



INTERNATIONAL NETWORKER



The news that Catalyst Corporate Finance had struck a deal to merge with international advisory group Alantra (reportedly worth £30m) raised a few eyebrows when it broke last year. After all, Catalyst had developed a reputation for independence in the UK market over its 20 years in existence.

It was a move that had been under consideration for some time, says Alantra managing partner and former co-founder of Catalyst, Andy Currie. "We knew that we didn't want to sell or partner with people who would tell us what to do," Currie explains. "Yet we wanted to carry on and grow our UK business, particularly on an international level."

Catalyst wanted to link up with a firm that had sector knowledge and global reach, but that would also allow it to retain autonomy. It needed to be a firm that did not have extensive operations in

the UK. "Alantra ticked all the boxes for us," explains Currie. "It has a strong balance sheet that will allow us to grow and it gives us strong global coverage across Europe, North America and Asia as well as access to capital markets through finance broker N+1 Singer."

The senior Catalyst team has signed up to stay on board for at least six years, with equity holders taking the majority of the transaction proceeds in Alantra shares. Alantra is a partnership quoted on the Madrid and Barcelona stock exchanges. "These arrangements were key to ensuring we were completely committed to making the combination work," says Currie.

As part of Alantra, the newly acquired UK business has access to 22 countries and 16 niche teams. Currie expects the UK business to at least double in headcount over the next year. Alantra has a global training programme and capital to help it realise its growth plans.



"It's satisfying being able to build and shape an advisory business, creating the values you want, and offering the advice you think is right for clients"

Gary Partridge,
managing director, Lexington Corporate Finance



In July, Alantra acquired KPMG UK's global loan portfolio advisory business.

One of the arrangement's other benefits, says Currie, is that the firm can target sectors that might not be attractive from a UK-only perspective. "Mining is one example," he says. "In the UK, it's not an exciting space to be, yet further afield it's a very dynamic area. The advantage of being part of a global platform is that we can get involved in these kinds of deals and help our UK clients on an international basis."

While the deal was struck last year, Catalyst has only just rebranded under the Alantra name. "Most of our work - up to 80% - comes from prior contact and our networks, so the new name shouldn't be an issue," says Currie. "In any case, Catalyst was already competing against better-known names. We were already considered as a challenger brand, so our re-brand doesn't change much from that perspective."



"The advantage of being part of a global platform is that we can help our UK clients on a global basis"

Andy Currie,
managing partner,
Alantra

REGIONAL NEWCOMER



In early 2016, Gary Partridge set up Lexington Corporate Finance to plug a gap in the market: "I had spent my career in the Big Four in South Wales and South West England, but found they were increasingly focusing on larger transactions, often leveraging their international networks to service multinational clients." He saw an opportunity to focus on sub-£30m deals.

There was an opportunity to offer high-quality corporate finance advice to local smaller companies, family-owned businesses and entrepreneurs. An initial personal challenge was "the big mental leap of moving from a multinational firm with support functions behind you", as well as going to market without an established name.

"But, I'd never go back," says Partridge. "It's incredibly liberating and satisfying being able to build and shape a business, creating the values you want your firm to espouse, and being able to offer the advice you think is right for your client."

He says the majority of Lexington's mandates work comes from referrals - from former or existing clients and from other intermediaries. "We're efficient in generating new work - we don't have to cast the net too widely, and can sift through the opportunities that aren't right for us."

One recent referral was advising US medical devices business Clinical Innovations on two acquisitions in continental Europe, and one in Australia. "The company hadn't completed many acquisitions previously, so we were able to add value through the entire process," says Partridge.

Another, in April, was Mobeus Equity's multi-million-pound growth capital investment in Cardiff-based classic car refurbishment business Hemmels. "It's fast-growth and entrepreneurial - very typical of the type of company we aspire to work with."



THE ESTABLISHMENT



In June, Lancaster House was the very grand venue for Cavendish Corporate Finance's 30th birthday party. Some 500 politicians, including prime minister Theresa May, half her cabinet and many business grandees, heard speeches from the chancellor, Phillip Hammond, and Cavendish founder and senior partner Lord Leigh of Hurley.

Lord Leigh, who was chairman of the Corporate Finance Faculty in the early 2000s, said the sell-side M&A adviser brought in more revenue in the first month of this financial year than it did in the first two years of its life. The senior Conservative Party treasurer said UK entrepreneurs are keen to sell up.

Lord Leigh told *Corporate Financier*: "I've seen a lot of independent advisory firms come and go. Some have failed through not keeping up with the times, a lack of differentiation or internal conflict, while others have grown in stature through organic growth or mergers."

Cavendish has worked on about 600 sell-side mandates since its inception. "We're known for getting the best value



"We are known for working with high-quality businesses. That reputation attracts the right kind of work for us"

Lord Leigh of Hurley,
founder, Cavendish
Corporate Finance

for our clients. All our systems are focused on exit, and we are known for working with high-quality businesses. We do not act for failing companies or insolvencies. That reputation attracts the right kind of work for us."

Lord Leigh says the firm's approach has been refreshed to remain relevant to market shifts. The company has developed sector expertise, which he says is "very important for many clients".

Earlier this year, Duncan Chandler joined as head of financial services. But many partners also come through the firm's ranks. Leigh is a firm believer in offering "good career progression". Cavendish continues to hire from other firms, but has also set up an ACA training programme, to widen the talent pool the firm draws from.

The firm is also investing in technology to automate deal management, and keep an eye on artificial intelligence (AI) developments. "AI is particularly pertinent in due diligence," explains Lord Leigh. "It has the capacity to spot issues or irregularities quickly and at a very early stage, making it much easier to address them."

With many buyers being international, Lord Leigh says that Cavendish's membership of Oaklins' 40-country M&A network is vital. "Oaklins is involved in almost every transaction we work on. It helps us find buyers in places that others can't."

Aberdeen-based smoked salmon producer John Ross Jr was acquired last year by Estonian food business PR Foods, after several years working with the family owners. Other recent international deals include interior design business OKA, which was sold to Italian private equity firm Investindustrial, and Office Concierge, a reception management business, acquired by Sofinord-owned Armonia in France.



"We look to do deals across a wide range of sectors and deal sizes. Our personal relationships with regional companies give us an edge"

Simon Davies,
joint managing director,
Spectrum Corporate Finance



THE REINVENTORS



Established by joint managing directors Simon Davies, Clive Hatchard and Ian Milne in 2010, Reading-based Spectrum Corporate Finance is something of a reinvention for its founders. Davies and Hatchard set up regional boutique advisory firm Dhand Hatchard Davies in 1997, which they sold to Tenon in 2001. Both went on to work elsewhere – Davies at Grant Thornton, where he ran six offices; and Hatchard at Land of Leather, which he turned around and then floated, and then at turnaround specialist Hilco Capital. Milne joined from RBS, which had backed the earlier firm.

“We had experience of establishing a firm, exiting it and then honing our expertise across other areas,” explains Davies. “For me, the decision to set up a new firm was



borne out of frustration with large-firm bureaucracy, and a desire to spend more time doing deals at the coal face.” A combination of solid corporate finance advisory, as well as turnaround expertise and debt advisory, is well received in the firm’s local market, says Davies.

Spectrum now has offices in London and Southampton, and clients along the south coast and the Thames Valley, as well as London. “It’s important to be of the local area, where we have built strong networks among local businesses and intermediaries,” explains Davies. “We look to do deals across a wide range of sectors and deal sizes, while also competing with larger London-based boutiques, where our personal relationships with regional companies give us an edge.”

The firm has advised Sovereign Capital on several bolt-on acquisitions and platform deals. Six of the sale mandates Spectrum advised on last year went to overseas acquirers in North America, Australia, China and France. ICS Cool Energy, a temperature control business based in Southampton, was sold to US-based Ingersoll Rand. The firm is a member of the Alliance of International Corporate Finance Advisors, a 40-firm strong network, which was a factor in getting those international deals across the line.

Davies says that while the first few years were “challenging”, in a “difficult post-financial crisis market”, Spectrum is now well established. It has 18 staff, including seven directors. In June, Ed Wirgman, former UK head of TMT at KPMG, joined as head of TMT which, together with healthcare and debt advisory, are areas the firm is looking to grow.

CITY SLICKERS



Chairman and chief executive Jim Keeling founded Corbett Keeling Corporate Finance 25 years ago. He says: “The City and the financial establishment has taken a huge knock in the 30 years since Big Bang. With bank mergers, conflicts of interest started to arise and once you accept these as normal, clients no longer come first. Our raison d’être has been to take a lead in re-establishing corporate finance in the City with integrity.”

It’s a bold claim, but something Keeling – who is a former chairman of the Corporate Finance Faculty – feels strongly about. He says good corporate finance advisers with technical skills, integrity, strong interpersonal qualities and the ability to deal with the ups and downs of deals are “very rare”. The firm was an early adopter of the sector-focused model. It now has 30 sector specialists in the team; something Keeling says was unusual 20 years ago: “But it is essential if we are to

understand the businesses we’re working with and identify the best buyers.”

Corbett Keeling is part of Globalscope, the international M&A advisory network of 55 firms, of which Keeling was recently made president. He adds: “We can offer local M&A expertise with a global reach.”

The firm focuses on £10m-£150m enterprise value businesses facing unique challenges and opportunities. Keeling says: “They don’t have the resources and processes that larger businesses have, such as HR or large finance departments, which means we can plug the gaps. Many haven’t done deals. We know how to guide companies to the best outcome.”

On a recent deal, the firm received 17 offers – nine from trade, eight from private equity. “The seller was set on selling to trade, but we couldn’t find a buyer with the right chemistry,” says Keeling. So it was sold to private equity. “They could see there was certainty of completion and no issues with cultural fit.”

“Our raison d’être has been to take a lead in re-establishing corporate finance in the City with integrity”

Jim Keeling,
chairman and CEO,
Corbett Keeling Corporate Finance

