Price Bailey
STRATEGIC CORPORATE FINANCE

Strategic Corporate Finance
Newsletter 2021

Scaling New Heights

At Price Bailey - **It's all about you**
The right advice for your business life

pricebailey.co.uk

2020 - 2021 in numbers

4
partners

Advised on
129
projects

For
123
clients

38
M&A and MBO advisory projects

31
Advisory and EOT projects

16
Due diligence assignments

4
Growth capital lead advisory projects

40
Valuations completed

Transacted in

Canada
Germany
UAE
America
United Kingdom
Ireland
Saudi Arabia
Egypt
Maldives

Working on
17 live transactions

15
financial modelling assignments

A note from our Partners

It's safe to say the last 16 months have been like none any of us expected or have experienced before. There has been considerable uncertainty and sadly many have suffered personally, and professionally. However, the public, Government and business response to the circumstances created in mid-March last year has been both humbling and fascinating, and we come out of this time with greater resilience, community and innovation that I personally hope continues as life returns to a 'new' normal. With that, I wanted to share our reflections on the last 16 months in the strategy and corporate finance environment, and our thoughts on the year ahead.

Reflections on the last 16 months

Overall, despite the undeniable upheaval of the COVID-19 pandemic, it has been a positive year for the Strategic Corporate Finance team and our clients. After an initial period of working with clients to understand how they and their teams would be impacted, the vast majority of our clients have done very well; their operations adapted and deals continued through to completion. As a consequence, it's been a very busy year for me, my fellow partners and the team!

During this time, we've been delighted to support 123 businesses through a mixture of M&A, growth capital, due diligence, valuation, EOT and advisory projects. In the early part of 2021, we completed 8 deals in as many weeks during a time when the country was still in lockdown. As we speak, the team are currently busy working on 17 live transactions – fantastic news for any advisors, and I am incredibly proud of the hard work and dedication the team have consistently provided during uncertain times.

Our thoughts on the year ahead

It's been a strong start to 2021 and as we move through the year we expect that we will see continued growth with a very buoyant M&A and capital funding market. There are currently lots of deals taking place both at home and overseas, and many business owners are looking at new options for exit post-pandemic, as circumstances provide new perspectives and priorities shift. Consequently, we look forward to seeing the recent surge of businesses turning to employee ownership continue to grow.
With regard to overseas deal making, the UK is still experiencing high levels of international interest as businesses, particularly US corporates, look to secure a foot-holding in the UK and European markets, and access the technical advancements and highly skilled labour developed here. We will, of course, see some inflation and changes to interest rates. The exact extent of this is not yet clear, but given the level of quantitative easing and borrowing made by the Government to pay for support measures, this is likely to lead to inflation and higher interest rates to control demand; for businesses, this may see margins being squeezed.

Visit our Content Hub for further detail and insights on what owner managers may expect in coming months.

Simon Blake
Strategic Corporate Finance, Partner

A note from our Partners

"COVID's arrival in the UK last year and the unprecedented national lockdowns that followed caused a huge drop in general confidence which impacted all manner of Corporate Finance activities, particularly M&A transactions. However, after a period of adjustment, it soon picked up again and we've since seen a strong period of activity, particularly involving institutional growth capital investment in scalable SMEs with strong growth prospects despite (or even because of) the pandemic."

Stephen Reed
Strategic Corporate Finance, Partner

"We're experiencing a lot of overseas interest in UK assets, particularly from the US. However, there's a question over whether UK businesses are being undervalued - many businesses are struggling to deliver fair value after a year of turbulence, and the FTSE 100 is trading below some of its peers coming out of the pandemic. Though it is our expectation that with a buoyant market fuelled by cheap debt and continued overseas interest, we will see valuations coming in at a premium in coming months."

Phil Sharpe
Strategic Corporate Finance, Partner

Case studies
Glazing Vision

Glazing Vision operates from a 65,000 sq ft factory in Diss, Norfolk, and through a growing operation in the USA and multiple distribution channels across Europe, Asia, and most recently, Australia. It sells off-the-shelf, standard, and completely bespoke glass roof solutions to clients wanting to add a 'wow' factor to their projects.

Significant further international expansion is now planned for the business, which likely will create job opportunities at the headquarters in Diss and internationally.

After 25 years of trading, and with over 100 staff, the company has become the largest manufacturer of rooflights in the UK. With appearances on national television for glass rooflights on some of the most prestigious buildings in the country and celebrity clientele, the main shareholder felt it was the right time to sell his majority stake. It was an opportunity not to be missed for the management team, which consists of three current minority Director/Shareholders and three new management team members all now further engaged to drive the business forward.

Price Bailey's Strategic Corporate Finance team, led by Stephen Reed, was engaged to advise on the transaction and to help management raise the necessary finance to support the transaction. Given this was during the early stages of the pandemic, the lending market was understandably cautious, but with the positives surrounding Glazing Vision, coupled with the specific expertise of Price Bailey in MBOs of such manufacturing businesses, the transaction was able to be completed with funding from Allica Bank.

"We are delighted to have been given this amazing opportunity to continue the growth of Glazing Vision with the existing management team. This will ensure continuity of customer service and performance and enable the company to invest more resources in delivering what customers want. One of our priorities will be continuing international expansion, building on the network we have developed in Europe by adding capabilities in the US and Australia. This will create new opportunities for staff, many of whom have been with the business from the outset, and enable the business to continue its success story from its humble beginnings in Norfolk to one of the leading glazing manufacturers of its kind in the world."

Jon Shooter
Managing Director of Glazing Vision

A year in review | Interview with Chand Chudasama

1. What's been the greatest challenge from your perspective as an advisor, and part business owner, during this time?

As an advisor, the hardest thing was managing the two very different experiences that our clients had and how quickly those differences appeared. Everyone was effected by the pandemic and, fortunately, the vast majority of our clients did very well, but their needs became very, very different to those who were struggling. By the end of the summer, there was a significant gap between those two groups, in terms of what they needed.

As a business owner the hardest thing was not knowing how long the world would be in a period of elevated uncertainty which meant that planning was much harder.

2. How has Price Bailey SCF and its clients adapted to the changing tides?

In terms of our clients, by both survey data and anecdotally, about two-thirds of our clients saw huge opportunities as a result of the pandemic impact, and the other third has unfortunately struggled. For some, it was simply bad luck whereas for others previous weaknesses in business models expanded very quickly.

As a team we adapted really well, we're used to remote working on projects anyway, so culturally we were already very prepared. That said, the team showed continued resilience during a time that was uncertain not just professionally but personally too, we're immensely proud of how positive everyone remained. And we're all certainly looking forward to enjoying a bit of social downtime together in the near future!

3. What would you say are some of the lessons learned? And how will they be enacted going forward?

Being self-critical about your business model is more important than ever. Lots of people have plans, but getting on and executing them is what really matters. Prior to the pandemic, we had a lot of people talking to us about succession issues, concentration risk, thin margins, too much debt and they would often kick the can down the road on decision making, which can come back to bite really quickly when a pandemic or recession hits. Therefore, being critical about the business model and pushing for a modern, performance driven culture in businesses is really important.

4. What would you say was your biggest learning from the last 16 months?

People are far more resilient than I ever expected – lots of people performed admirably making really difficult decisions in a tight and pressurised environment, and in a real variety of home working environments with illnesses and bereavements too.

5. What do you think are the top priorities for business owners in the market at the moment?

Keep evolving the business model. In a crisis you manage for cash, then you manage for profit, then you manage for growth. If you've got the luxury of thinking about growth, now is the time to really push that and not go back to old assumptions of older business models, because other competitors or new entrants will grow faster. If you're in the other two, you're sort of stuck in survival mode but

A year in review | Interview with Chand Chudasama

if you're in growth it actually might be more challenging because you have a lot of options available to you and it's choosing the right ones to pursue. Secondly, I think everyone needs a break and business leaders should try and find a way to carve out some down time, reflect and relax.

6. What can business owners look forward to in the next 12 months, do you think?

Firstly, it is my hope and expectation that people will generally be able to be happier as things go back to some semblance of normality – this can have a fantastic impact on morale and productivity.

Owners with a strong business model can look forward to valuation premiums. Valuations are already quite high at the moment but we expect they'll continue growing for the time being.

Finally, a strong focus on the environment that now exists as businesses, particularly large businesses, are pursuing goals within their supply chains, which will hopefully feed opportunities for smaller businesses too.

7. What do you see as the challenges for the next 12 months?

The main one will be all the things that come with inflation which include a shortage of materials and good quality people, rising prices and rising wages. Where possible, businesses will need to try and be in a position to absorb that and, more than that, find a way to grow faster than it through amending their business model.

8. What are your predictions for private equity markets into 2021/22?

I think there will be a significant uptake in deal activity - there is a lot of cash out there to be invested in good businesses and we'll see an increasing amount of international competition, particularly for the US into British businesses as platforms and bolt-ons.

9. What are your predictions for M&A markets into 2021/22?

Both deal value and volumes will continue to rebound. As mentioned earlier, valuations will continue to grow but we can probably also expect to see adapted deal structures that reflect these premium valuations as well.

Chand Chudasama
Partner

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My first year at Price Bailey | Phil Sharpe

Phil Sharpe joined Price Bailey and the Strategic Corporate Finance team as a Partner back in April 2020. Here he shares his reflections on his first year in the firm, and his thoughts on what the next 12 months may bring.

It certainly has been a different year than I expected, and for reasons that nobody would have predicted. Joining Price Bailey in the same moment that the country and many countries around the world were being sent into lockdown created an unusual environment for the start of this new endeavour! It brought with it some unique challenges, but also some opportunities for both myself and the team – it won't be a time that anyone of us will forget.

Despite the unusualness and the unpredictability of the last year, what I have thoroughly enjoyed is meeting and working with the Price Bailey team. It was clear early on that the relationship focused culture enables stronger collaboration with colleagues and clients, and accessibility and participation in the management of the business which is enabled by the people at all levels of the business – it's about the collective rather than the individual, and I'm really enjoying being a part of it. There's a lot of breadth across the firm and boundless opportunities to access skills and collaborate on a variety of client projects from other departments. It has been an incredibly easy team to join in a very difficult time.

It was also great to witness how easily the firm transformed itself so quickly to working remotely. It did, naturally, taken a little while for the market to catch up as many weren't necessarily used to doing something that is so relationship driven in a virtual space. Hopefully, one of the highlights of the coming year will be being able to get back out to see clients and the team more often. I think that corporate financiers, by their very nature, tend to enjoy being out seeing clients and collaborating as a team face-to-face, so I'm certainly looking forward to having more of a blend of working patterns going forward.

I've also had the privilege of working again with some of my clients from previous roles alongside the development of new relationships, which has given me the opportunity to work on a broad variety of transactions and with businesses that I hadn't before. One of the greatest joys of working with owner-managed businesses is how much more involved you become and, therefore, how much greater their successes feel. Albeit the inability to celebrate these successes together has been a shame, and we'll certainly be making up for lost time when it is safe to do so!

I think the corporate finance market is going to be a dynamic environment in the next 12 months. There's plenty of cash in circulation and we're seeing some high valuations in deals completing recently. While there's a lot of talk about a potential downturn, confidence remains strong and the high levels of Government borrowing do not seem to be tempering that. My greatest concern is that asset prices are over inflated and with markets trading 80% above the levels we saw on 23 March 2020 (and well above pre-COVID levels) central banks will need to take the steam out of inflationary pressures. I doubt we'll see a return to longer term averages of 5%+, but interest rate increases will be a shock to a generation that have never experienced them, and be a knock to consumer confidence and disposable incomes. So it's difficult to imagine the current buoyancy will continue much in H2 2022, and as head winds appear, we'll undoubtedly see personal objectives and corporate strategies revisited. But I like change, because it provides lots of opportunities to work with clients to help them achieve their personal goals, whether they want grow, realise some value or exit and retire.

Phil Sharpe
Partner

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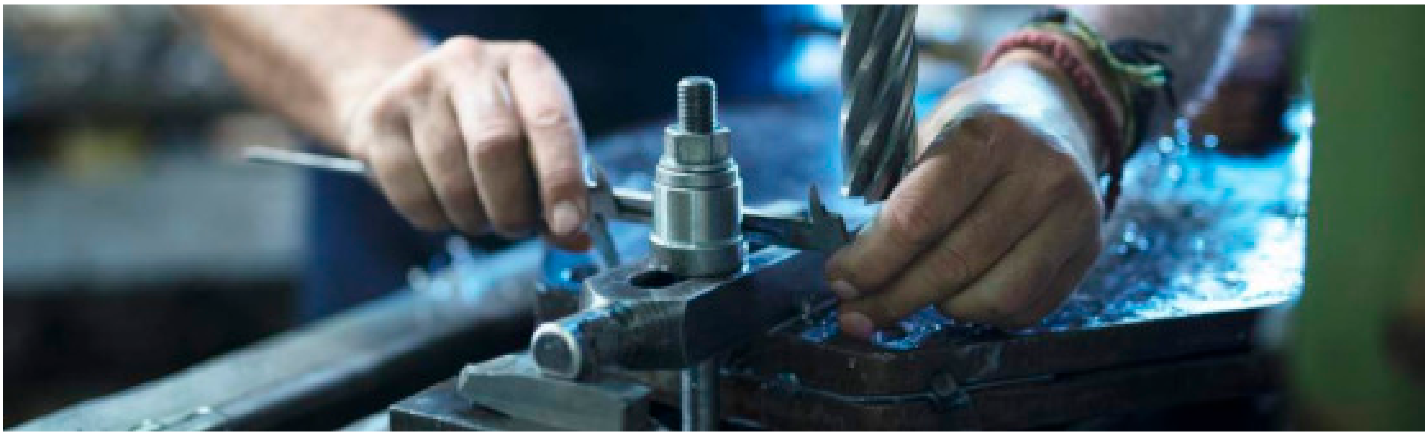
Case studies
CSI Limited



Price Bailey provided lead advisory support to Graeme Werrell (Managing Director) on the shareholder buy-out of Component Solutions for Industry Limited ("CSI"). CSI, established in 1998, is a UK manufacturer of coiled heat exchangers, providing engineering solutions to OEMs. The business has invested in tooling and testing equipment to satisfy the growing demands of its customers. The business operates from a 22,000 sq. ft. manufacturing facility in Thetford, Norfolk employing 31 employees. Graeme is supported by a dedicated board of directors who are aligned in their plans for further growth and diversification of the business.

Some time ago, Price Bailey assisted Graeme in undertaking a desktop valuation and high-level feasibility review of the possibility of undertaking an MBO, but at the time it was not possible to agree on a suitable deal with the other shareholders. More recently, however, the sustained improvement in the performance of the business presented the opportunity for all shareholders to consider an exit to a trade buyer, and Price Bailey was instructed to support a sale process. A range of interest was received but the best offer contained terms the shareholders couldn't get fully comfortable with, so Graeme decided to reconsider an MBO with Price Bailey's assistance. The MBO was arranged to buy out the two other shareholders using a mixture of personal funds, existing cash in the business, facilities provided by Barclays Bank, and deferred payment terms. Price Bailey assisted in the preparation of financial projections to assess affordability and deal structure, helped with negotiations with the Vendors, obtained tax clearance for the proposed transaction and provided input into legal contractual arrangements. Greene and Greene acted for the MBO team, Birkett Long and iLaw represented the Vendors.

"Having been involved in the business from the setup in August 2001 to the present day, I went from project manager to minority shareholder, running the business efficiently and for the benefit of shareholders. When the opportunity presented itself to take full control it was difficult to ignore. So, with the full support of the directors, Inga and Warren and assisted by Sebastian at Price Bailey we took on the buyout. Our customers were fully supportive of the transaction, providing them continuity of supply and importantly continuity of relationships."

Graeme Werrell
MD

Employee Ownership Trusts | How to navigate the HMRC tax clearance process

There has been a recent surge in demand for business owners wanting to sell their companies to their own staff through tax-efficient Employee Ownership Trusts (EOT). In this article, we provide a recap of the benefits of EOTs, the conditions that must be met and considerations for funding an EOT, before explaining both the importance of and the things business owners need to consider when applying for HMRC clearance for their EOT.

Benefits of an EOT

Firstly, a recap of EOT benefits and conditions. EOTs have strong tax benefits to offer:

- Capital Gains Tax (CGT) – the most substantial tax benefit of an EOT is a complete exemption from CGT for the owner selling shares to the EOT. To put that into perspective, at today's tax rates (February 2021) if the owner sold the business to a third party then the owner would be charged 10% on the first million of capital gain and 20% on anything above that. Thus, with an EOT, the shareholder could be saving up to 20% capital gains tax.
- Income-tax-free bonuses – where the EOT is in place, employees can be paid up to £3,600 income-tax-free bonuses per annum (National Insurance would still apply).

However, as with any tax relief, the EOT rules set out specific conditions that must be met for the tax benefits covered above to be available. Here are some of the main conditions:

1. Shareholders must sell at least 50.1% of the company's issued share capital to the EOT – that is, the controlling interest must be transferred to the EOT. They must be ordinary shares, i.e., they have to have rights to dividends which are not at a fixed rate and assets on a winding up in proportion to the shareholding transferred to the EOT. The EOT must also hold the majority of the voting rights.
2. The business must be a trading company – i.e., it must carry on a trade that is not investment activity. Thus, it applies to a variety of companies, including professional service companies. In fact, quite a few professional firms such as lawyers, accountants, architects find an EOT a suitable option for employee engagement. Although, please note it has to be a limited company, not a partnership.
3. Beneficiaries of the EOT needs to include all employees and ensure equal treatment. The income tax-free £3,600 bonus has to be distributed on an equal basis. Some conditions are allowed if, for example, an employee works on a part-time basis or hasn't been with the company for a specific period of time.
4. A shareholder with >5% cannot be a beneficiary of the EOT. Anyone who in the last 12 months, or is connected to the person, in the last 12 months had >5% would not be able to be a beneficiary.
5. 2/5th rule – this states that an EOT cannot be set up where the shareholders/directors exceed 40% of the workforce. For example, if you have five staff of which two are also shareholders/directors that is fine, but if you have four staff of which two are shareholders/directors, and two are employees, that would be in breach of this condition. Only shareholders with more than 5% are counted for this purpose. This highlights that an EOT may not be suitable for very small companies.

Crucially, a condition that is often forgotten is the need to demonstrate a commercial motivation for the transaction that is of genuine benefit to both the company and its employees. This doesn't sound like a tax matter, but this might be the most important tax question the company will need to answer.

Employee Ownership Trusts | How to navigate the HMRC tax clearance process

Critical planning before tax clearance application

From a tax perspective, the EOT process of tax clearance is very important, but relatively straightforward once the structure and EOT objective is clear. In our experience, HMRC typically approves these in 4-6 weeks with clearance subject to the conditions being met.

The more complicated and lengthy process is the discussions with employees and the setup of an EOT structure, which needs to take place well in advance of HMRC clearance application.

Key things to agree on before the tax clearance application:

- What is the commercial purpose of an EOT?
- Who will be in charge of the company? Will EOT have 51% or 100% controlling interest?
- Who will be managing the EOT?
- What is the value of shares to be sold?
- What is the market value of the company?
- How will the share purchase be funded?
- If the company is going to fund the trust to make the share purchase, then how many years will it take to repay?

When thinking about these questions, don't forget:

- An independent valuation report will help to establish the market value and avoid any tax complications on the sale of the shares for the shareholder.
- A robust financial model – to have comfort that the business will be able to finance the purchase obligations entered into by the EOT.
- The EOT structure is crucial to avoid any personal liabilities falling on the trustees of the EOT.

For a tax clearance, the most important question is what the primary motivation for an EOT is. This is something the owners of the company and the advisors need to be clear about. The lawyers and the accountants will be on hand to help with an independent valuation of the company, financial models, legal documentation, and other supporting documentation. Still, the business owner needs to decide why they are doing this and how involved they would like to be in the business once the controlling interest is sold to an EOT. The driving reason for the EOT establishment will make or break an HMRC tax clearance application.

What is the anti-avoidance provision that clearance is sought for, and why is it so important for an EOT?

The anti-avoidance provision that applies here is called 'transaction in securities', and it potentially applies as the share sale by the shareholder(s) can be seen as "disguised distribution". Thus, getting clearance for an EOT transaction is important to ensure the provision doesn't apply.

Why is it important?

To avoid the argument over the profit and loss account reserves, which could otherwise have been paid as a dividend. For example, if a company with small retail shops has recently sold 9 out of 10 shops, and then with one remaining trading shop applied for clearance to sell shares to an EOT, it would probably not get clearance because the profit made on the sale of the shops could have been distributed as dividends rather than to finance an EOT with an objective to get 0% CGT. HMRC could see this as an example of tax avoidance that has no main benefit for the company or its employees.

The government encourages companies and their shareholders to consider setting up an EOT through the application of significant tax benefits. Still, with the risk of future CGT increase in rates, this will certainly attract speculative applications. That is why an advance clearance is recommended before setting up an EOT to ensure the success of the scheme and benefits of the tax reliefs.

Case studies
Diamond Pharma Services

We advised Diamond Pharma Services, a British pharmaceuticals consultancy specialising in compliance and regulation, on their sale to ProPharma Group, the world's leading provider of compliance and regulatory expertise to pharmaceutical, biotechnology, and medical device companies.

Diamond Pharma Services provides regulatory affairs, pharmacovigilance, and compliance & quality services to support pharmaceutical and biotechnology companies in obtaining and maintaining medicinal product licenses throughout all stages of a product's life cycle. Founded in 2005 Diamond Pharma Services is headquartered in Harlow, Essex, employs over 70 staff, and serves clients from the very small and virtual, through to large multinational pharmaceutical companies. The company has satellite offices in London and Cambridge, Amsterdam, Dublin, and Cambridge-Boston (US).

"We are excited to welcome Diamond Pharma Services into the ProPharma Group family. This acquisition further solidifies ProPharma Group's position as the leading global provider of regulatory, compliance, pharmacovigilance, and medical information services. With our mission and higher purpose of improving the health and safety of patients, we are focused on delivering the highest quality of services throughout the full product lifecycle."

Dawn Sherman
ProPharma Group's CEO

“Joining forces with ProPharma Group offers a fantastic opportunity to enhance the ways in which our teams can bring value to our customers, working together to improve the health and safety of patients. Our complementary experience and expertise will allow us to bring even more depth and breadth to the services we provide our clients.”

Maureen Graham
Founder, Diamond Pharma Services

Recent deals

Date: June 2020

Sector: Waste & Renewables

Role: Valuation of a recycling group including tax consequences of a disposal to inform a report for divorce proceedings.

Date: May 2020

Sector: Local Authority & Construction

Role: Development of a financial model to support residential property development across multiple sites.

Date: September 2020

Sector: Leisure

Role: Development of a financial model to support multi-site owned and franchised leisure company for strategy and refinancing.

COMTEC

Date: July 2020

Sector: Technology

Role: Lead advisor on the sale of Comtec, a telecom and IP equipment distributor with £70m revenue, to Carlyle-backed, ETC Group based in France.

Date: December 2020

Sector: Manufacturing

Role: Advised on the sale of a high end cosmetic packaging solutions provider to an International acquirer for a significant undisclosed sum. Price Bailey acted in a lead advisory role and supported with fielding of due diligence enquiries and provision of associated tax.

Date: December 2020

Sector: Industrial

Role: Advised on the sale of the business following the death of a key shareholder.

FARLAP CAPITAL

Date: September 2020

Sector: Financial Services

Role: Valuation of the shares of Farlap Capital Limited, the UK private equity firm in preparation for a majority share sale.

Date: September 2020

Sector: Media & Marketing

Role: Valuation of a business receiving royalties on behalf of a musician for the purposes of CGT on disposal.

WINTERMUTE

Date: November 2020

Sector: Technology

Role: Valuation of cryptocurrency business, Wintermute Trading Limited for HMRC in respect of the allotment of ordinary shares and growth shares.

Date: January 2021

Sector: Media & Marketing

Role: Valuation of an affiliate marketing business.

Date: January 2020

Sector: Oil and Gas

Role: Conducted a valuation of the share capital within an airplane fueling company.

Date: November 2020

Sector: Industrial

Role: Valuation of property development business, Enterprise Residential Development Limited for the purpose of HMRC reporting for the provision of growth shares.

Date: November 2020

Sector: Industrial

Role: Valuation of property development business, Enterprise Retirement Living Limited for the purpose of HMRC reporting for the provision of growth shares.

Noahs Ark Chemicals
Trading with Integrity

Date: March 2021

Sector: Industrial

Role: Lead advisors on the sale of three Noahs Ark Chemicals distribution companies in three different countries to COUNT Energy Trading.

Date: March 2021

Sector: Business Services

Role: Advised on the establishment of an Employee Ownership Trust for a business specialising in market research, industry analysis and consultancy services.

PA COLLACOTT & CO

Date: May 2021

Sector: Industrial

Role: Advised on the establishment of an Employee Ownership Trust with a Management Buyout element for an electrical installation firm.

Date: February 2021

Sector: Consumer

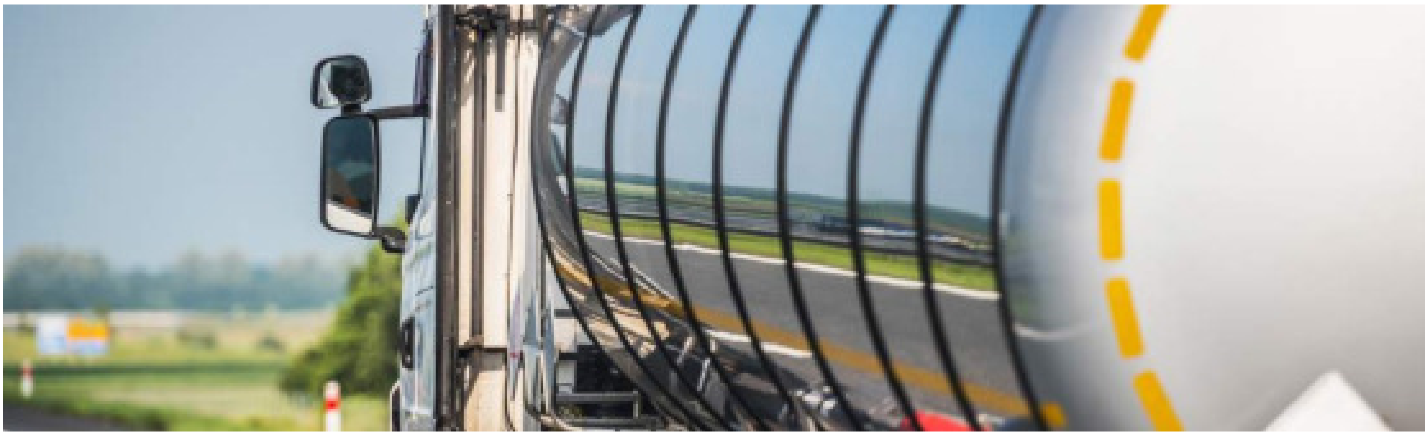
Role: Established an Employee Ownership Trust for a London-based fashion group, following a restructure.

Date: March 2021

Sector: Business Services

Role: Advised on a share for share exchange and established an Employee Ownership Trust for a recruitment company based on the South coast.

Case studies
Noah's Ark Chemicals



This was a special deal for us to work on. The Price Bailey team have known Bharat and Rashmi for some time now and absolutely love working with them. They are a wonderful team who are smart, exciting and who have built a fantastic business over several decades; it was really important to everyone on this transaction that we made them proud and generated some real value for them from their life's work.

Noah's Ark Chemicals is a chemicals distributor with a core revenue of around £60m. We sold three companies in three different countries, in three different currencies without moving to a group structure. The deal moved quite quickly; from engagement in November, we had Heads of Terms agreed at the end of December and then signed in early January. A first draft Share Purchase Agreement was received just two weeks later for the first Company and thanks to an efficient due diligence process ran from all sides and project managed by Agne Pakalniskyte, we completed the transaction in early March. Mark Pinder and Grace from Birketts were excellent throughout.

"It was a pleasure to be part of such an important transaction for the family and help to go through the complex process of selling three companies in three different countries in such a short time. The transaction couldn't have happened without Birketts and Price Bailey's tax team working all together. We are excited to continue supporting Bharat and Rashmi on their next ventures."

Agne Pakalniskyte
Strategic Corporate Finance Manager

Case studies
P.A.C. Electrical Services

We were initially approached by P.A.C. Electrical Services Limited in late 2018, following a recommendation from their accountant. Trading as P A Collacott & Co, the company is a leading firm of electrical contractors and building management system engineers. Established in 1978, the company has offices in Cambridgeshire and Abingdon, Oxfordshire.

As the founders approached retirement and gave thought to succession planning, they were initially considering a sale of their company and we were subsequently engaged to act as their advisors in early 2020 but in light of COVID-19 the sales process was halted.

However, by July 2020, consideration was being given to alternative exit methods other than a trade sale which included employee ownership and management buyout options. We worked with the founders and presented various ownership structures; it was decided that a combination of an EOT and an MBO offered the best solution for the shareholders and the business.

We undertook a valuation of the company, analysing past financial results and reviewing the current pipeline of work to get an indication of forecast performance for the business. Once the EOT and MBO scenario was agreed in broad terms, we gave presentations to the management team providing an introduction to the core concepts, an overview of financial performance and valuation and the practicalities of investment.

By structuring the transaction such that the EOT took place immediately ahead of the MBO, it was possible to effectively offer the shares to the management team at a discount to reflect the Company's commitment to make the repayments to the vendors on behalf of the EOT. In doing so, it became more affordable for managers to purchase shares and to benefit from future growth in the business both through their direct shareholdings and indirectly as employees through the EOT.

Case studies
CIM Limited

Price Bailey advised the shareholders of Ireland-based Control and Information Management Limited (CIM) on their sale to German-based Process Automation Systems (PA Solutions), a subsidiary of Canadian parent ATS Automation Tooling Systems (ATS), a manufacturer of automated systems, listed on the Toronto Stock Exchange with a market cap of £1.6bn.

CIM was founded in 2003 by Darrin McCrudden and Eamonn Nally through a management buyout of the Siemens Ireland Industrial Projects division and is now one of the leading system integrators in industrial automation in Ireland. Its core business is the delivery of fully validated automated process control systems in the highly regulated life sciences industry and it maintains significant long-term relationships with the major blue-chip companies operating in this arena in Ireland. CIM has experienced double-digit growth over the past number of years as a result of the growing demand for quality process automation systems and engineering solutions from the life sciences and high-tech manufacturing industries. The Company has continued to expand in this competitive market because of its exceptional team of project managers, lead technical engineers, and automation engineers that deliver consistent solutions to specification, schedule, quality and cost.

Darrin and Eamonn, who will remain with CIM, will aim to leverage the product innovation of ATS and the engineering excellence of PA Systems and add significant value to its current Irish client base. They will also drive the growth strategy for the combined business to strengthen their presence in regulated and non-regulated manufacturing.

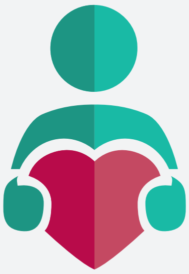
This latest transaction is another example of a successful virtual cross-border deal for the Price Bailey SCF team as we continue to see significant interest in UK and Irish businesses from a range of hungry international corporate acquirers.

In addition to Price Bailey, CIM was supported by Flynn O'Driscoll (legal) and RBK (accounting and tax). PA Systems was supported by LK Shields (legal) and Mazars (financial due diligence).

"It was a pleasure working with the Price Bailey team on our sale to PA Systems. They were with us every step of the way and added significant value to us as well as to the wider sales process"

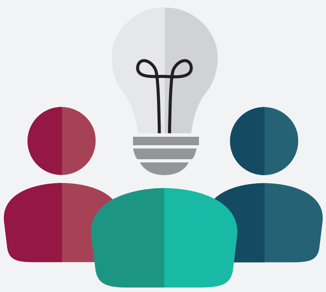
Darrin McCrudden
CIM, Founder

Testimonials



"We are very pleased with the advice and support provided by Price Bailey. The friendly and responsive service was delivered efficiently and meant we felt valued throughout the transaction. We would like to thank Stephen and his team for their help."

Project Keenan



"Price Bailey's advice and support proved invaluable in getting this long-awaited MBO across the line. Their input in early feasibility stages, seeking an appropriate funding structure, taxation advice and project managing through to completion, in conjunction with our legal advisers, made a huge difference to the process and eventual outcome for the management team. I would like to thank Stephen and his team for the support they provided throughout the deal."

Jon Shooter,
Glazing Vision

"We thoroughly enjoyed working with Price Bailey on this project. The due diligence report, which focussed on Quality of Earnings and Working Capital, was terrific, being insightful while giving a different perspective on a number of the key areas of focus. Thank you Price Bailey for your support and great service helping us to complete this investment."

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