

SEMINAR

We held an informative seminar in September to provide topical advice on the advantages and disadvantages of purchasing property rather than renting. We were lucky to be joined by tax expert Peter Rayney who provided an insight into tax consequences of trading out of recession. Finally, Prosperity of Dudley also provided an overview of some alternative ways of obtaining funding to give businesses the working capital they need to continue trading



WINE TASTING

We recently held a wine tasting evening at Nickolls & Perks Fine Wine Merchants in conjunction with Poole Waterfield and Prosperity where we found out about some of the finer details about both white and red wine. The evening proved equally interesting for those with a good knowledge of wine and those who simply know what they like the taste of.



DEALS DIARY

<p>August 2010</p> <p>HEACHAM LIMITED</p> <p>Sale of Assets</p> <p>Hawkins Hatton LLP acting for the Seller</p>	<p>September 2010</p> <p>ENGINEERING BUSINESS</p> <p>Sale of Shares</p> <p>Hawkins Hatton LLP acting for the Purchaser</p>	<p>October 2010</p> <p>METAL SLITTING BUSINESS</p> <p>Investment into Company</p> <p>Hawkins Hatton LLP acting for the Company</p>
<p>October 2010</p> <p>FORTY FATHOMS AQUARIUM RETAILER</p> <p>Purchase of Assets</p> <p>Hawkins Hatton LLP acting for the Purchaser</p>	<p>October 2010</p> <p>DRINKS VENDING MACHINE BUSINESS</p> <p>Sale of Shares</p> <p>Hawkins Hatton LLP acting for the Purchaser</p>	<p>October 2010</p> <p>STEEL STOCKHOLDER AND SUPPLIER</p> <p>Sale of Assets</p> <p>Hawkins Hatton LLP acting for the Seller</p>
<p>November 2010</p> <p>A CHAIN OF CASH CONVERTERS</p> <p>Re-organisation</p> <p>Hawkins Hatton LLP acting for the Seller</p>	<p>November 2010</p> <p>MARKETING AND DESIGN BUSINESS</p> <p>Sale of Shares</p> <p>Hawkins Hatton LLP acting for the Purchaser</p>	<p>November 2010</p> <p>PROPERTY INVESTMENT BUSINESS</p> <p>Refinancing over £5 million</p> <p>Hawkins Hatton LLP acting for the Company</p>

HAWKINS HATTON SEAL THE DEAL

We have helped seal the deal for a leading manufacturer of mechanical sealing solutions for the power generation industry.

We acted as lead legal adviser to SM Seals in the company's sale to Nieuwburgh BV, a US owned company registered in the Netherlands.

Somerset based SM Seals Limited is one of the leading worldwide suppliers that specialises in the design, test, manufacture and supply of mechanical sealing solutions to the power generation sector. The company has installations at over 270 sites worldwide with particular expertise within the hydropower industry.

Colin Rodrigues, our corporate partner, advised SM Seals owner and managing director Mike Banks on the sale and purchase agreement, working closely with accountants the Michael Duffy Partnership.

SM Seals employ 5 staff and the sale to Nieuwburgh BV will help secure the long term future of the business. The new owners plan to invest in the business and take on new staff to meet the expansion programme.

Colin Rodrigues said: "Mike Banks bought the company in 2005 but under the deal he will stay on as managing director thereby ensuring continuity within the business and customer base."

"The company has built a reputation for supplying sealing solutions to many prestigious sites globally over many years and I'm looking forward to working with the new owners to build on this success," added Mike Banks.



Mike Banks (left), Managing Director, SM Seals and Colin Rodrigues (right), Corporate Partner.

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TEN TIPS FOR A SUCCESSFUL MBO

When successful companies consider succession they usually seek a third party trade sale to realise the full market value for their shares. Alternatively the management team who operate the business may put forward an offer and this value may be less than a third party trade sale. However, whilst an MBO route offers a reduced sale price, it has the advantage that the contractual obligations in the form of warranties and deferred payments etc are less onerous given the managers know the business and the sellers.

One of the most frequently asked questions by a management team is "How can we improve the success of the potential MBO?" This question can be answered by reference to the following top tips:

1. **Credibility** - The credibility of the management team is key, they need to have a proven track record in order to demonstrate they can not only run the business but they are capable of the transition from being managers within a business to fully enfranchised stakeholders who will guide that business to continued success.
2. **Team** - Does the management team comprise of the right members to conduct an MBO? Does the team require stronger FDs or other non-exec directors? Do not simply work on the basis that the existing team will do.
3. **Business Plan** - The management team require a robust comprehensive business plan with ideas to improve the business, its profitability and margins whilst absorbing the costs of the MBO and therefore simple cash-flow projections will not suffice.
4. **Accountant** - Having prepared a business plan the management team need to test the credibility of the cash-flow projections to ensure the business can be maintained going forward, subject to the available funding and an accountant's input is vital.
5. **Corporate Finance** - A lead corporate finance adviser should be engaged to assist in negotiating the potential management buyout since if there is a deal to be done it will revolve around price. A corporate finance adviser can also help facilitate negotiations between the management team and the sellers and can often be the accountants.
6. **Heads of Terms** - These need to be clear and concise with definite timelines in order to achieve completion. When negotiating the heads of terms points 7 to 10 below are key.
7. **Price** - How will the price be paid? The price may not be the full price an exiting shareholder would achieve with a trade sale route, however a seller selling to a management team would benefit from providing limited warranties. There is also an existing relationship between the seller and the management team so notwithstanding there is a contractual framework for payment, more importantly it is surrounded by trust that payments under the contract will be made.
8. **Lawyers** - You will need a commercially focused corporate lawyer whose only aim is to complete the transaction within the shortest time frame affording the parties maximum protection under the contract whether they are acting for the sellers or buyers.
9. **Finance** - Usually the corporate finance adviser will assist the management team with regard to ensuring that they are able to raise the funds necessary to undertake the acquisition, whether this be a mixture of personal funds, bank debt and VC funding. There are numerous ways in which MBO's can be funded and again a corporate finance adviser/accountant will assist.
10. **Timing** - It is important to maintain the momentum once the deal begins to bring it to a smooth and speedy completion. In order to do this it is imperative to appoint commercially minded corporate lawyers who are used to dealing with time pressures of corporate transactions on a daily basis.

If you can get all the above ingredients together then you will have a recipe for a successful MBO that will benefit all parties. If you would like to discuss any of the above further please contact Colin Rodrigues at crodrigues@hawkinshatton.co.uk or on 01384 216840.



FARMING BUSINESS GROWS FOR THE FUTURE

A fifth generation family farming business in Staffordshire is looking to the future after its incorporation into a limited company.

Our firm advised father and son partnership Roy and Rod Bartlett on the reorganisation of R&RW Bartlett which produces parsnips, turnips and other root vegetables on more than 600 acres of prime farmland near Lichfield.

The company, which was established in the 1950s, provides freshly harvested produce under its Skipper brand to food service outlets, wholesalers and supermarket chains throughout the Midlands, nationally and Europe.

The change from partnership status to a limited company is designed to bring about a number of tax benefits for the company and its directors and create a robust business structure for the future.

Commenting on the incorporation, Rod Bartlett said: "We have a significant investment programme and are constantly updating machinery to take advantage of technological advancements, so the move to limited company status means we are well placed to continue growing the business in the future."

Colin Rodrigues, corporate partner, said: "This business is a prime example of farmers who have recognised the potential in their farm as being a sound commercial venture and so by treating it with care and reverence they have created a business model which will stand the test of time"

Steve Ward from Michael Duffy Partnership, based in Birmingham, acted as the accountants for Mr Bartlett.



Left to right: Rod Bartlett (front left), R&RW Bartlett, Steve Ward (second left), Michael Duffy Partnership, Ruth Coleridge (centre), Corporate Solicitor, Roy Bartlett (second right), R&RW Bartlett, Colin Rodrigues (front right), Corporate Partner.

HAWKINS HATTON LEAD IN ELECTRICAL FIRM'S MBO

We have played a leading role in the management buy-out of one of the UK's most established electrical, air conditioning and mechanical services businesses.

Electrum Services Limited, based in Beaumont Leys, Leicester has been acquired from Wathes Group (Electrum Holdings) by the company's management team led by managing director Simon Jones, operations director Steve McKeown and finance director Reg Francis.

Thurnham Investments Ltd, owned by Mr Jones and his senior colleagues, has since restructured Electrum Services to invest further time and focus into developing the company into one of the UK's leading co-ordinated mechanical and electrical services business.

Electrum Services provides world class electrical, air conditioning and mechanical services across the UK and The Republic of Ireland. The company employs more than 100 staff, including a nationwide team of 70 service engineers, and provides a broad range of routine, reactive and installation services as well as project management activities to clients in the retailing, food, leisure and commercial sectors.

With a turnover of £8million the business is now actively looking to grow through further acquisitions of allied services companies.

Colin Rodrigues, our corporate partner, advised the management team on all legal aspects of the deal, with Terry Hitchen from accountants Garretts, based in Wolverhampton, providing financial advice. Given the short time frame for completion we took a 'no nonsense' team approach to complete what was a very complex multi faceted deal on schedule.

"The management team have ambitious plans to grow the business and we were delighted to be able to assist them with the purchase," said Mr Rodrigues. "Our lead involvement in this deal reflects the increasing prominence of Hawkins Hatton across the Midlands where there has been a steady upturn in corporate activity over recent months."



Photo caption: from left to right Simon Jones, Managing Director, Electrum; Terry Hitchen, Garretts; Colin Rodrigues, Corporate Partner; Julian Edwards, Electrum and Steve Hunt, Garretts.