

# Uncharted: the road to recovery

## Episode five: Returning to the market

Host: Rebecca Burn-Callander

Participants: Dewi Hughes, Head of region in the South West and Wales at LDC; Adrian Alexander, Partner at FRP; Mark Naughton, Partner at FRP.

**Rebecca Burn-Callander:** Welcome to Uncharted: The Road to Recovery, an FRP Podcast hosted by me, Rebecca Burn-Callander. In this seven-part series, we speak to experts and business leaders from across the UK to identify and analyse the issues facing the UK business community in the wake of the coronavirus pandemic.

**Rebecca Burn-Callander:** This week we are talking about mergers and acquisitions. It's clear that the world has been changed forever by COVID-19 and that neither business nor society intends to go back to old models quickly, so where does this leave M&A activity?

In this episode we'll explore in what manner funders and investment-hungry businesses will return to the market over the next year. We'll consider future routes to finding a buyer, as well as approaches to negotiation and remote due diligence.

I'm joined today by three M&A experts who are watching this market very closely. Dewi Hughes joins us from private equity specialist LDC, heading up the South West and Wales region. From FRP, I'm delighted to welcome Mark Naughton, a corporate finance partner from the Bristol office and Adrian Alexander, a partner in FRP's corporate finance team in Brighton.

Thank you all so much for joining me.

Can we talk a little about which sectors are proving particularly buoyant? Or where perhaps there's activity, simply because there's a few distress sales happening? Can I come to you Adrian? what are you seeing in terms of sector-specific activity?

**Adrian Alexander:** The sectors are probably obvious to people, that have been robust and resilient during the crisis so healthcare, logistics, some of the manufacturing which is held up, anybody supplying PPE were the obvious ones and there are some people and some businesses. Online retail is doing really well and there's been some spectacular results in that sector. So probably the sectors you would expect, and as a result a lot of those companies and those sectors are now thinking about doing M&A transactions and maybe taking the opportunity to use the cash they generated to look for deals.

**Rebecca Burn-Callander:** Dewi, you're at the sharp end with this doing deals, so which sectors have you seen more of and which are really struggling to do any kind of deals?

**Dewi Hughes:** We have seen a continuation of a number of deals, particularly in those more resilient sectors, such as technology and healthcare businesses, as Adrian was sort of mentioning as well. I mean indeed we'd like to see the likes of technology in eCommerce businesses as being key drivers of momentum in the coming weeks and months. For example, LDC backed eCommerce fulfilment specialist James and James in March of this year and actually, as lockdown has led to many people shopping online, its clients have seen an increase in orders, meaning James and James has been able to continue to operate at full steam. In May, they signed a 10-year lease on a new 600,000 square foot distribution site which will increase operation efficiencies and create further employment. That just makes it prime example of a business which has targeted growth despite wider economic uncertainty.

More generally, whilst we did see activity grind to a bit of a halt for a large portion of the deals when COVID kicked off, or just before the COVID, sort of the lockdown kick-off in particular, that's obviously because of a combination of

significant uncertainty in the market, but also the fact that many of the businesses in question would be adversely impacted, particularly in the short term. So what we have been prioritising our focus really as a private equity house is those businesses that we can still transact in. During the first half year we made 18 investments and the majority of those have been completed since lockdown, and a number of those are buy and build acquisitions by our portfolio businesses.

Probably note of optimism really is, similar to what Mark was saying we do sense that things are returning, clearly not to sort of pre-COVID levels quite yet, but nonetheless, returning in some way. It's a very difficult market, but nonetheless, there are deals that are happening and we are also seeing some of the deals that went on hold actually starting to come back, and I think that's partly the confidence that you can actually get deals away now. And I think advisers are thinking that is the case.

**Rebecca Burn-Callander:** And can we talk a bit about the deal types? I mean, are we talking mainly distress deals, are we talking management doing buy outs because they've got an opportunity now to take the reins? What are the deals that are really coming to the fore at the moment? Mark, what are you seeing?

**Mark Naughton:** It's a fair point. I think there is a lot of distress deals out there at the moment, and certainly in the sectors that are really suffering the most from COVID-19, so hospitality, leisure and casual dining. Those are well publicised and I suspect that that will continue to be the case. But I think what's more encouraging is actually M&A activity in a good sense in that, owner managers are now thinking about exiting and realising the values of their businesses because they can see some positive light at the end of the tunnel.

More traditional private equity investors are hungry, probably more so than ever actually, in terms of the amount of money and fire power that private equity and debt providers have in the market at the moment. But there's a paucity of deals for them to do, so ironically, if you're in a good sector and you've got a great business in that sector, it's actually not a bad time to start thinking about realising your value, because actually the scarcity of the asset and the competitive tension for those assets is pushing prices up. I wouldn't say that's across the board, not at all, but those businesses that have proved themselves to be more robust are certainly attracting that level of attention.

**Rebecca Burn-Callander:** I'd love to explore that a bit. Dewi, are you seeing that it's a sellers' market? Are there a select few that are really thriving? Are they able to command quite significant prices?

**Dewi Hughes:** Yeah, I think across the board it probably isn't a sellers' market in reality given the climate. However, I think it does go back to the sort of the deals are continuing at the moment, which are in the sort of more resilient category. I think if you can prove that the business has been resilient over the recent times, that actually goes a long way to providing a lot of comfort around the longer-term future. Particularly as we don't really know what's going to happen. Therefore, what is happening is, to Mark's point, there is a lot of competition for those high quality, resilient assets and that's both from PE and trade in our recent experience on that.

And what we are seeing is actually pretty full prices in the market despite what was going on in wider environment. For I particular sellers, it is a really good time to be doing a deal.

**Rebecca Burn-Callander:** Adrian, I'd love to bring you in here because if there are business owners are listening, what advice are you giving the people who are running the successful companies that have been able to be resilient about the kind of funders they should be looking at, about the kind of deals they could be doing or should be looking for? What's been broadly the advice that you're giving those entrepreneurs?

**Adrian Alexander:** As you'd expect, it depends on the sector and the position of those companies. You've got the ones that Mark and Dewi have talked about which have been really resilient through COVID and probably should consider a set process and actually go into market in the short term. I think you've got a category of businesses that were doing really well leading up to the lockdown, have had a dip and clearly we're hoping it's going to be a V-shape recovery and those businesses you can see the turn over and profits returning. Those businesses can start discussions with trade buyers and the whole discussion is around allowing for the dip. So, adjusting, maintaining the earning of their business and effectively ignoring the COVID part of that and getting buyers comfortable, to have the business return back to normal and having a normal discussion with trade buyers.

There's another category of business owners who probably have had a triple whammy, so the valuations of the business not have suffered potentially, especially if they can't prove it's going to come back quickly and probably their own personal assets have been reduced as well. Quite a lot of them will be feeling pretty sore at the moment and really need some sort of guidance as to how they come out and need a real clear strategy if they want to exit.

That may lead into other alternatives, such as alternative exits - one of which might be a two-step exit. They realise some of the cash now, bringing their management team in to run the business with them. Some of them might just think, actually I'll just get out and take what I can get now, and it may be a merger with a competitor.

We're also expecting to see employee ownership trusts come more to the fore, where there's employee ownership as part of their exit plan, given that there are some very significant tax benefits for owners exiting that way. Those ones I think is already discussions, I think we are planning the strategy.

I think it's absolutely imperative now that owners really start engaging with their advisers and really putting together a clear strategy of how to react and that will depend on where those businesses are in the cycle coming out of COVID.

**Rebecca Burn-Callander:** Dewi, I saw you nodding there. Can you build on that advice at all?

**Dewi Hughes:** Yeah, I think it is a tricky time. I think it would be important, particularly with a PE lens, and I guess, even from a debt provider lens as well, is that where we're talking about businesses which are presented with lots of normalisation adjustments, that's actually a challenge for us to sort of get comfortable with. Because what you have to do is to show and how do you show that normalisation has happened and therefore to provide sort of the required level of comfort around a particular profit adjustment in there?

And clearly, that is best served through additional data and time, some which is not practical to do, but I would just hazard a caution if there are too many normalised adjustments. I think the bar will be generally high in terms of just proving that.

**Rebecca Burn-Callander:** Mark, do you agree? You're nodding. Is that also a concern for you, this normalisation issue?

**Mark Naughton:** Yes, it can be both ways. I think key is, has Dewi and Adrian was saying earlier, is preparation and give yourself enough time to prepare properly for what you plan to do, whether that's selling a business or even buying a business. If you think the market is going to present some opportunities for you to acquire businesses going forward, don't jump at the first opportunity that presents itself. Properly prepare your own business, but also properly prepare for what you're looking to acquire and research that, and that's where we're helping clients at the moment.

I do think that sort of preparation, taking your time and being quite considered is really important. Businesses have great opportunities going forward if they are properly prepared.

**Rebecca Burn-Callander:** But on that point about preparation, Mark, has due diligence changed? Is there a lot more scrutiny? What do companies need to be prepared for?

**Mark Naughton:** If there are lots of normalisation adjustments, it just makes due diligence a little bit more challenging. Therefore, what we are seeing is diligence is clearly still being done on transactions and transactions are clearly still happening. What we found is that investors are being a lot more pragmatic about what they need from due diligence and therefore, a lot more focused around what they want and what they need. They work much more collaboratively with the target business to get that information so that everybody is actually moving in the same direction in terms of trying to evidence the point or the issue that is being sought to get evidence of in due diligence.

We have seen a more collaborative approach around due diligence. It's not adversarial point in terms of them and us. It's actually how do we achieve this together? So we are seeing that, and I know Dewi, who's on the private equity side, one of their challenges is spending more time with management, who they often back. I would say that's probably more of a challenge for the private equity sides.

**Dewi Hughes:** Yeah, I think that's spot on, Mark. I mean, what do we do? We back management teams. It's fundamental that we spend a meaningful amount of time with management teams during the course of a transaction, because that is fundamentally an integral part of our evaluation process. While platforms like Teams and Zoom, are fantastic for ensuring that we can continue the dialogue and keep the momentum going on a process, there is no real substitute for the face to face element. Getting to know the individual that you're backing, and them getting to know you as well because it's all about sort of a relationship-based partnership, is incredibly important on a formal basis and in an informal basis.

**Rebecca Burn-Callander:** So the advice is the slow down and be cautious. I'd like to come back to Dewi's point about how the coronavirus, social distancing and the rise of technology is impacting deal making because air travel is extremely limited at the moment, there's quarantine rules coming in and out. What does that mean for cross broader transactions? Because that's often a way to scale quickly, moving into new markets and picking up huge waves of customers in new places. Do we think that's going to slow down quite dramatically? Dewi, I might hand that to you.

**Dewi Hughes:** I think this is a really interesting question, and one which is probably quite difficult to answer at the moment in truth. I think what we are seeing on a couple of deals that we're involved with certainly, is that there is international trade going on and involved in the assets. There are definitely challenges when you're thinking about selling an international business at the moment.

You've just got to look at what's happening with Spain, and other jurisdictions where you've got sort of second waves going on. We are having to monitor a few businesses that we're looking at - we're having to monitor what is likely to happen across different jurisdictions when you're talking about properly international businesses. It's really hard to predict. If we got international sites involved with these businesses, then, to what extent they are core to the business, we will certainly want to be spending time on those sites as well as part of our evaluation.

It is possible depending on the geography, however, not straightforward, and maybe impossible as well so it's definitely something that is probably slowing international deals down I would suggest. But time will tell really in terms of the next few months and how things really do open up.

**Rebecca Burn-Callander:** Right! I suppose as a counter point to that question, I might ask, do we think that localism is going to play a big part in deal making towards the end of the year? Are companies going to look to try and sure up their supply chain nearby without looking overseas? Is that going to impact the market at all? Mark, what do you think?

**Mark Naughton:** Yeah, I think it's related and I think what we were seeing is an increased uncertainty around international deals because of Brexit, and that will continue, and companies trying to find alternatives around supplier chains, etc where they thought they couldn't see a solution if there was no deal around Brexit. So I do think that it's always there but it doesn't seem to be in the agender as high it might have been, but it will come back because we have until the end of this calendar year to find a deal or not, so it will become more significant.

**Adrian Alexander:** I think, adding to that is the exposure particularly to China and the uncertainties there. We've been talking to companies that have got huge exposure in their supply chain in China and are talking about taking two or three years to find alternative supplies in other countries. If you really need to source quickly, you can't resource that quickly. Acquisitions, buying a company that can provide that supply chain for you might be the answer in order to get resources into your supply chain quicker, so that might have an influence on what targets companies might go for in the M&A market.

**Dewi Hughes:** And that's certainly something that our portfolio been focused on for a period of time. I mean, we have had uncertainty around Brexit for quite a period of time so actually thinking about the longer term potential implications of Brexit on our supply chain has been an important consideration.

Going back to early this year end of last year, we were talking about coronavirus, but at that point largely in the context of what the impact could be on our supply chain. We were still thinking of it as largely going to be based in China and we're working very hard with our portfolio to make sure that there is robustness in that supply chain, and that we do have dual supply where necessary that is more local as well. We've been looking at those options and will continue to do so because it is a changing climate.**Rebecca Burn-Callander:** Bringing all these points together, I'd

like to look at valuation. I know we touched on it a little while ago, but given all the moving parts and the uncertainty, how on earth do you determine the price or the value of a company and has it changed materially to how it was done before? Adrian, how are you seeing the actual pricing of deals shift?

**Adrian Alexander:** Yeah, that's a very good question and as you say, the 6 million dollar question. I think in reality, a lot of the deal prices could increase in the really hot sectors. We've seen examples of where a deal was in progress, and the multiple came down by one point as a result of COVID, because it had to be completed. Other deals where the multiple using in calculating the prices stayed the same. The emphasis has moved to the deal structure, so where somebody can get comfortable, the point Dewi was making earlier about coming out of COVID, and can he get comfortable with those numbers and if you can't you then deal with it by having deferred consideration, maybe more simple which is dependent on the future results, but more simple KPI based earn-outs that can be monitored over a much shorter period of time, like customer retention or sales coming back, rather than sort of heavy earn-outs. So on a whole, there's an acceptance in the sectors where there's been a car crash, where multiples will hold out but the risk that has to be shared between the vendor and the buyer, is dealt with through the deal structure.

**Rebecca Burn-Callander:** Dewi, has that been your experience? I'm just thinking about bio-tech companies for example, where their valuations have gone through the roof, but it's based on the idea that we're going to face multiple pandemics over the next five to ten years, but there's a possibility that won't happen. I don't know where you begin really?

**Dewi Hughes:** It's not a straightforward question at all, Bex. We have talked about, Adrian has just mentioned now, the resilient sectors, and full price happening in those sectors. The reality is there is an element of demand and supply here and it's all about how sought after the business particularly is. We are still early doors, I would say in terms of COVID, so the deals that have been done have largely been in the more resilient sectors.

I think the next couple of months will be interesting because you have got other businesses that are in sectors which have probably been impacted a bit starting to come to market, and so it will be interesting to see how valuation will work for those businesses.

My sense would be that the overall valuation will nudge down for obvious reasons. You get an incredible business which is really resilient, and there are a number of businesses that have properly benefited from coronavirus. There is an interesting debate around normalisation the other way around which is actually to say, well, if that's not sustainable, should you be reducing the profit measures?

Those sort of businesses, where it does look as if for the medium term they are going to be doing fantastically well, those are just going to be more and more in demand. And there is clearly a large sort of supply of money out there.

I think the other dynamic linked to the structure point that Adrian mentioned is how the debt providers operate over the coming months. I think there has been an inevitable focus inwardly on the portfolio for a period of time, particularly in the first sort of couple of months of COVID, and how they respond and start operating within deals, the sort of quantum they'd be prepared to lend and what pricing will have an influence as well, particularly in sort of PE based transactions. So I think, no one can really answer the question but I think those are probably the dynamics

**Adrian Alexander:** I think there's a reality check as well the vendors are going to have to go through. Probably the starting point for any vendor is they all seem to think their business is worth more than they think it is, and in my whole entire corporate finance career, I've only twice had to tell somebody that their business is worth more than they thought it was.

So, I think those businesses, companies that want to exit in the short term are going to go through a bit of a realisation, and valuation will come off a little bit below for those.

Those who actually insist on waiting for the full value for their businesses, you'll probably find they're going to have to delay their retirement plans maybe, but then of course, have they got an appetite and a plan to keep their businesses growing, moving forward during that period? The vendors themselves will play a big role in that valuation metric going forward, and where they see it in terms of wanting to get out.

**Mark Naughton:** Yeah, just to pick up a couple of points mentioned around the normalisation, and actually I was talking to a business where they've enjoyed a COVID bounce and where their profitability has doubled because of what they do, but they recognise that there is sort of a temporary spike. But actually the whole dynamic of that sector, supplying medical equipment into the healthcare sector.

The overall level of their market has increased, and it will arguably stay and may be maintained at a much higher level than it was pre-COVID, so there's a challenge around getting true value for that and where it will settle down. I think that will be quite an interesting debate to be had and it might be settled by, as we talked about earlier, deal structures and deferred consideration.

The other point Dewi mentioned around the debt markets, what we are seeing is that debt is very cheap at the moment and that does help pricing, because funding is cheaper especially on private equity type deals. And while the high street banks have been focused quite rightly on their own clients and looking after them, we are seeing new debt providers, or alternative debt providers that have been around for a long time, making a very aggressive play into the market in trying to gain market share during this period, so being very supportive on transactions which arguably should push, or at least maintain prices at a better level.

So, it is an interesting market, and your point around valuation and where does it lie - really it is going to be a case by case basis to be honest.

**Rebecca Burn-Callander:** All super interesting answers to what is a very complex question. I would like to have a little bit of a bird's eye view of the business environment. Do we think we are heading for a period of consolidation or do you think we're heading for more fragmentation as perhaps businesses focus on core activities? Dewi, what are you seeing in the marketplace right now and what are you expecting in future?

**Dewi Hughes:** Our view on this is that there probably is going to be a bit of refocus and we do anticipate the large corporates in particular, a number of them will have to restructure and sort of refocus their operations. We have seen this in previous cycles, not that there's anything comparable to COVID, of course, but none the less, we do think there's probably going to be more opportunity for so called carve outs whereby there is an opportunity to spin a business out, and that could be a private equity management buyout situation.

I think that general uncertainty and having to restructure, including potentially restructuring debt for these large groups will probably drive that. I think the other bit that we are seeing and maybe counter that point, is that we've been focusing on our portfolio and working out how we can drive value and accelerate value through this time. And actually, one of the things we've been incredibly focused on is buy and build. We've been actively looking for opportunities across our portfolio to support them and to provide follow on capital to fund acquisitions, and that may be just a bit of scale in response to market conditions, or it may be to help them evolve the business model.

To give a couple examples of that, one business in our portfolio is Babble - a cloud services provider - acquired telecoms provider Lake Technologies to provide further telephony and network services. We also backed a business called Linley & Simpson, an estate agent which we originally invested in back in 2018 and that business has just announced it has completed its fourteenth acquisition since it partnered with LDC. And this is all during COVID and we are incredibly actively focused on this scenario to help accelerate growth within our portfolio.

And I think you would probably see that on a sort of broader basis where there will be a period of acquisition and consolidation in particular segments.

**Mark Naughton:** Yeah, I think we are probably on balance going into a period of consolidation because if you throw into the mix distress deals and distressed M&A activity as well, where businesses are being sold or have to be sold, I think that is going to present more and more consolidation opportunities on balance. But as it was raised earlier, just be warned about what you're acquiring, don't necessarily go for the first opportunity that crosses your desk.

So I think, as Dewi says, the market might present more opportunities in the carve outs, so big corporates focusing on their core businesses and offloading non-core assets, which might then present another opportunity for somebody else to consolidate that market.

The two feed off each other really, but I think we are going to be in a period on balance of consolidation rather than fragmentation.

**Adrian Alexander:** I'd agree on that. I just pick up a slightly different point on the private company market. I think you may have situations where two companies have been competing with each other for years and they think actually, you know what? We may just perhaps have had enough now of competing and we might be stronger together, so you could have consolidation in that way as well where you could actually see some genuine mergers where maybe not a lot of cash changes hands, but companies come together.

And there has been evidence in the South-East market, so we're on base that there's been one or two of those transactions taking place already, and we could see that as part of that consolidation play as well.

**Rebecca Burn-Callander:** So, are you seeing, Adrian, a lot of de-risking deals where perhaps business owners who have been through the mill emotionally, financially, and now looking to sort of share the load?

**Adrian Alexander:** Yeah, absolutely. So, that could happen in the form we just said about those companies merging together or actually taking some cash off the table at this juncture, they certainly have that ability to do that, so bringing your management team in and de-risking.

**Mark Naughton:** Yeah, if people are thinking about that and concerned about that, quite rightly, then it does take time. You can't just go and raise the money very quickly to do a partial exit. It does take a lot of time to actually put that together and to get the best funding and the best pricing structure around that as well. So again, I know we've mentioned it before, but preparation is key and even if you don't achieve the deal that you want to achieve at that time, the work that you often do in terms of preparing your business either to raise finance, to sell or to partially sell, is important. The feedback from businesses has always been that it's been an invaluable process around helping them to understand their business and challenging their strategy and finding some of the gaps that might have always existed, but not necessarily be recognised within the business, and having that sort of external view of the business has always been very useful.

**Rebecca Burn-Callander:** And do we think that deals, the actual time it takes to complete them, that the amount of energy, blood, sweat and tears that go into it... I mean, it has always been incredibly intense, the experience of doing deals for business owners, but is that even more so post pandemic? Should business owners expect for it to take even longer? What should they be aware of? Dewi, I might bring you in here because you've done quite a few deals in recent times. Have they taken longer? Have they been more arduous?

**Dewi Hughes:** Have they taken longer? I mean, deals are clearly always challenging to do because they are incredibly complex transactions. I think, generally speaking, anything that brings additional uncertainty into the overall deal environment is unlikely to speed up the process.

I would like to say again, for resilient businesses where they compel in proposition and have a strong management team, the deal should not take markedly longer than it has done previously. I think where it's in a slightly more challenged sector and where the practicalities mean that you've not been able to have the people on site like the diligence providers et cetera, and having the sort of interaction you'd normally have, that does have a slowing effect on the deal cycle.

Fundamentally though, it's all about just making sure that you surround yourself with the right advisers and making sure that you've planned, and we talked about preparation and Mark and Adrian have talked about that, and that's incredibly important. I think if you prepare, prepare, prepare, then ultimately, you're going to be able to do it as swiftly as possible.

**Mark Naughton:** Yeah, and I think your question, is doing a deal at the moment more stressful? I think there's different stresses because some of the different practicalities coming down to the minutiae, I think if you sat in front of a Zoom screen for 15 hours, it's incredibly tiring and quite mentally challenging to do that rather than sitting around a table and thrashing out issues.

So I think some of the practicalities of it make it a bit more challenging process, but ironically, it can be shorter at the moment as well, so arranging calls with people face to face rather than having to arrange meetings with Zoom or Teams is practically easier, therefore you can get to the nub of issues a bit quicker.

There's conflicting practicalities that are making deals different, just executing deals differently. I think some add to the stress levels, but I don't think it's making deals take longer.

**Adrian Alexander:** I'll just add to that I think actually there's a good case that we're just taking things at a nice easy pace and starting to develop relationships with prospective purchasers who then spend the time for them to get to know you and actually allow the results to come back post-COVID and actually by not rushing it, maybe you get a better deal with those buyers and not push them in a position to make the offer too quickly, seeing some of the key KPIs in the business come back and you might actually get a better deal.

You don't need to wait, delay it to next year or anything, but just not put a very specific timetable on if you don't have to and you might end up with a better deal executed for all parties by doing that.

**Dewi Hughes:** Yeah, I think the world has changed so significantly and I think what we are seeing as well at the moment, is that management teams are looking for more than just capital. So I think it's really important that whenever you're talking about any transaction, be it trade or private equity, that you understand what you're getting yourselves into and the sort of the relationship that you're going to have post deal, and the plans for our business post deal as well.

And therefore, that's even more important now I would say, given that we've seen the world change and all our previous plans particularly in certain sectors have all changed. What we always used to do was in terms of sensitising numbers that we'd never anticipated a pandemic, so including those sort of things into the evaluation process, and then to also understanding how either private equity houses or trade operate when things are tough, I think is incredibly important to do.

And I think also, linked to that, it's probably understanding what really they can provide in terms of value add and how that party, be it trade or private equity can help you develop your business. That's something that we have been focused on for quite a long period of time, but it's very much at the forefront of our thinking, so we've invested in a team called a value creation partners team, which is team of specialists focused on delivering share value across the portfolio. They cover things like digital marketing, commercial excellence, operation improvements, technology procurement, these are things that we found that a portfolio benefits from if you provide some additional expertise.

And I do think, now more than ever, it is really important that when you looking at a partner, you actually think about what they can do for you going forwards and the sort of relationship that you would be able to build with them.

**Mark Naughton:** I echo that, and I think it often gets overshadowed by people's concerns over valuation et cetera. I think that the most crucial thing is around actually who you're going to be working with and the working relationship that you're going to have with those parties going forward. And especially, I think COVID-19 has brought that home where you really need to be working. If you're doing a private equity type transaction and you're going to be working together going forward, what's their track record of supporting businesses when things aren't quite going right? And some have better reputations for that than others.

I've done a couple of private equity transactions in the last six months and I'm delighted to say that that was an important part of choosing which private equity house to go with, but also they've been incredibly supportive of those businesses through some pretty tough times and are coming out of it now much stronger. I do think when deciding which partner to partner up with, that it's not only the financial fire power and the technical expertise that they can bring, but actually there's a personal relationship there as well, can they build on that? And what is their house track record of supporting those businesses where things haven't quite gone to plan?

**Rebecca Burn-Callander:** It sounds like, from these points, that the old adage that from crisis comes opportunity is certainly true even in these strange times. So would say, as a final parting piece of advice, should ambitious business owners, entrepreneurs, should they still try and execute on growth plans even though the world is on fire? I mean, is



that the advice even though we've heard warnings about going slowly, not jumping feet first, but is that still the overriding message?

**Mark Naughton:** I would say so. Even in down turns, there's always opportunities and it's usually the case that those that are the strongest, and most ambitious and talented in their sector, no matter what sector it is, will always come out on top.

I do think that you should take the opportunity to look at your business and look at your strategy going forward. I think there will be plenty of opportunities through M&A or other ways to organically grow businesses. Take advantage of the fact that if finance is a limiting factor, there is a lot of finance available out there, whether it's private equity, venture capital or debt. Take advantage of that because those partners are really trying hard to invest that money, so together it can be a great opportunity.

And I think for those that wish to exit their businesses and retire, I think you do have to look at the sector specifics at the moment and it might be a timing issue. I always hate the tax tale to wag the dog, but capital gain tax and the threat of that, should be at least part of that factor, in deciding what to do.

**Dewi Hughes:** Yeah, I think that's exactly right, Mark. I think if you've got a strong business proposition, a point of difference, clear growth opportunities, and most importantly from our perspective as a private equity house, that you've got a very ambitious and capable management team to take things forward, then absolutely you should be looking now to do a deal.

The one thing we've always consistently done is invested through the economic cycles because there are always opportunities across the good times and the bad times, and therefore, if you've got the right plan in place and the right hunger from the management team, then absolutely go for it.

**Adrian Alexander:** I think if you're going to do an acquisition, just absolutely make sure it fits with your strategy though, make sure it's one that will really help add to shareholder value and not destroy it. And we made the point earlier about making sure you don't buy a distressed business and kill your own business through that; just make sure that if it's the right company, you can really add value. And organic growth is going to be hard work over the next few years, so if you need to grow and want to grow and grow value in acquisitions, absolutely, definitely it should be part of your strategy going forward.

**Rebecca Burn-Callander:** Great. I think this is a message of hope and quite a good place to stop. Thank you so much Adrian, Mark and Dewi. You've been incredible guests today and I feel like you've brought such amazing insights about this whole issue, and it's a complicated one. It's been wonderful talking to you all and thanks so much.