

## DEALMAKERS

Welcome to Dealmakers, a new regular feature which will look behind the headlines of acquisitions and mergers in the county. We'll also provide expert advice, opinion and commentary.

The  
BIG  
Deal

## Stokers Limited acquires Lucas World of Furniture

**The Buyer**

Stokers Limited, which has a base in Ormskirk, has successfully completed the purchase of Lucas World of Furniture in Aylesbury as part of its plans for growth and expansion across the country.

The fine furniture retailer is becoming a household name as one of the largest independent furniture businesses in the country and this purchase will assist in its long term vision, as it develops the store in Buckinghamshire as a base for future expansion.

The fourth generation family business currently has ten stores throughout the country with three trading under the Stokers brand name.

**The decision**

"We are a very acquisitive company and have acquired many family owned furniture businesses over the years," says Jonathan Stoker, joint managing director.

"Due to our track record in buying these types of businesses we were approached at a very early stage by the seller to see if there was an interest. We soon identified this business had some great potential.

"The business itself was established in 1898

so had a long pedigree of supplying quality furniture. This was an ideal fit for our business; all of our stores have significant local brand presence in their own geographical area.

"The business sold product we were very familiar with and had staff who were highly motivated and trained in selling. Again, all traits familiar with our own business."

**The process**

"Acquiring businesses like this always very difficult as there is not normally a precedent for the seller," says Jonathan.

"Consequently the business, despite the involvement of a seller's agent, had not prepared itself well for sale. This made the process all the more challenging for ourselves and our professional team, Forbes Solicitors and McMillan & Co LLP chartered accountants.

"We had to spend a considerable amount of time with our team of professionals, guiding the seller and their advisors on the requirements for the legal and financial due diligence.

"It was a matter of being there on the ground and getting involved in the business at an early stage and making sure the business continued to run normally during the acquisition period.

"As the acquisition is happening, staff can get very anxious, so we had a presence there all the time to reassure them and ensure the continuity of the business. In these types of acquisitions it is important that the business runs as normally as possible and, importantly, the customers believe it is "business as usual".

**The result**

Jonathan says: "We've ended up with an excellent business with considerable potential, one that's been established for a long time and we believe we can invest in. We have started the process of refurbishing and it should stand us in good stead for a long time to come.

"Actively buying existing quality family businesses is one way we grow the business. In choosing the target we consider how we can bring our experience and economies of scale to ensure we maintain these businesses well into the future. We can bring the investment and buying power these businesses lack. Long term, this acquisition has great potential in the right part of the country."

"Our advisers made a complicated transaction happen efficiently and effectively."

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## Q AND A: ACQUISITIVE GROWTH

By Douglas McMillan, senior partner, McMillan & Co LLP

**Q.** How would you advise businesses to get themselves ready for sale?

**A.** Preparing a business for sale can take quite a time but the upfront effort should make the eventual process quicker and ensure a fairer price is achieved. The sale of a business can be compared to the sale of a house where time is spent making it more attractive to potential purchasers.

**Q.** How can the seller's accountant assist in this process?

**A.** The seller's accountant should be involved from the outset as there is a lot of data to gather for the Information Memorandum and for the "due diligence" exercise. It can be time consuming to gather all the information that any purchaser will eventually want. The accountant should control this process as they should be well versed in what is needed.

**Q.** Input from solicitors at this stage?

**A.** The main matter to consider early in the process is that the business has good title to its properties and other assets. Quite often there are gaps in the title or where the consent of a freeholder needs to be obtained. If the title is not sorted out there can be major delays in the transaction process.



**Q.** What does the purchaser's accountant look for?

**A.** The accountant generally gets a quick feel about a business based on experience and will assess the quality of the profits and assets in order to value the business and compare that to the purchase price. They will ensure the maximum tax effectiveness of the deal structure and be involved in the bargaining process through to completion. Clearly if the seller has got everything in order then the process will be much quicker and the professional costs will be minimised.

## Expert Advice: Strategy is key

Pauline Rigby, head of corporate and restructuring, Forbes Solicitors



**T**his deal involving an identified business in a specific market clearly formed part of Stoker's acquisitive growth strategy, a strategy which is only one form of a growth plan initiative.

The key word in the phrase acquisitive growth strategy is 'strategy'. There has to be a clear defined plan whether it be in writing or in the thought process where the business needs to have identified that this is the strategy that it is going to pursue and have an understanding of how it is going to get there. Does the business have the required funding in place to make an acquisition, if not does the business know how it will obtain that funding? What type of business are you looking for? Is it to add a different service or product line to your business or is it the same field in a different area or the same field in the same area to add critical mass? How will the business be integrated into your existing business? Do you have the required

resources to be able to deal with the integration element of an acquisition? Once those questions have been considered and a clear strategy is in place you can then move on to identifying the potential business to be acquired. At this stage we would recommend that your Accountants are on board with your plans and to hand so that they can vet the business from a financial perspective. Your lawyers should also be to hand so that they can carry out the legal due diligence for you and identify those areas of legal risk in the business. Once the company has been vetted legally and financially you will be able to make a decision as to whether or not this business fits within your strategy. Undoubtedly nothing will fit 100 per cent as nothing ever does however being prepared to be flexible with your acquisitive growth plan and focus on the end goal and hopefully you should be able to make a successful acquisition.



Chris Summerscales  
Seneca Partners

Lancashire: First Half  
M&A Summary

The Lancashire deal market continued to provide robust figures for the first half of 2015, driven by growth in the SME sector and rising deal values at the top end of the market. There were a reported 98 completed transactions in the first half of 2015, slightly down on the reported 105 completed transactions over the same period in 2014. Although slightly down on 2014, the 2015 figures represent another robust return for the region, particularly against a backdrop of political uncertainty in the run up to the recent election.

The first half of 2015 has seen the highest volumes of transactions in traditional sectors, such as Manufacturing (22.5%) and Support Services (18.4%). However, the TMT (15.3%) sector also represented a significant volume, which is not unexpected given the quality of creative, technology-based businesses in the region.

The region has seen some large deals during the first half of the year, including Daisy Group's acquisition of Phoenix IT, the MBO of Synexus and the acquisition of Promethean World by Digital Train. Whilst the big deals grab the headlines, the majority of M&A activity has involved SMEs, as businesses look to accelerate growth through acquisition. The rationale for acquisition can range from revenue growth to expanding service offerings and developing customer base. With improving access to bank funding and a willingness from equity funders to support growing businesses, market conditions are currently favourable for acquisitive growth.

The prime example of this acquisitive growth can be seen through Blackburn-based Chase Templeton. With investment from equity funder Palatine, Chase Templeton have driven growth through acquisitions, including five in the first half of 2015.

At Seneca we think the market conditions will continue to support M&A activity in the region, especially with SMEs, and expect deal volumes to continue to flourish throughout 2015.

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# DEALS DONE

## Chase Templeton acquired Atlas Consulting Group

Deal value: Undisclosed

Private medical insurance specialist Chase Templeton, Darwen, has sealed its biggest deal under its ongoing buy and build strategy with the acquisition of Rochdale-based Atlas Consulting Group. The purchase brings in £13.8m annual premium income, driven mainly by larger SME and corporate clients. The deal, the fifth the company has concluded this year and the 49th since it secured the backing of Palatine Private Equity in 2013, means the broker now generates over £125m API.

## Daisy Group acquired Phoenix IT Group

Deal value: £135m

Daisy Group's offer for publicly-traded Phoenix IT Group represented a 78 per cent premium over share price. The acquisition followed the Penta Capital/Toscafund funded buy-out of Nelson-based Daisy Group in January, which also saw Daisy Group delist from the stock market. Neil Muller, chief executive officer of Daisy, said: "Phoenix enhances our capability across the markets in which we have chosen to operate. It allows us to add to our capability and provide end-to-end solutions directly to our mid-market customers."

## Promethean acquired by NetDragon

Deal value: £81m

British Virgin Islands based Digital Train, through subsidiary NetDragon WebSoft, announced the acquisition of Promethean World, the Blackburn-based online interactive technological learning software developer. The offer represented a premium of 31 per cent over the then share price of the publicly traded Promethean World. Phillip Rowley, chairman of Promethean, said: "Our board believes that this offer represents fair value for our shareholders, whilst at the same time providing a platform which will allow the business to reach its full potential and realise its aim of making a real difference to the education of children across the world."

## Chesnara acquired Waard Group

Deal value: £50m

Chesnara, the listed insurance and pension services business based in Preston, acquired Waard Group, a Netherlands-based group

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comprising three closed book insurance companies and a servicing company.

Chesnara chief executive, Graham Kettleborough, said: "We are very excited to acquire an attractive business in the Dutch market. The Waard Group should generate attractive financial returns and also provide a platform with enough scale and operational knowledge to enable further acquisitions in the Dutch and continental European markets."

## Fairpoint Group acquired Colemans

Deal value: £9m

Chorley-based professional services firm Fairpoint Group has acquired consumer legal services support specialist Colemans for £9m. Manchester-based Colemans consists of Colemans-CTTS LLP, CT Support Services Ltd and Holiday TravelWatch Ltd. Colemans is a consumer-focused legal services provider with expertise in volume personal injury, conveyancing and travel law and has more than 200 employees, including 47 fee earners based at offices in Stretford, Kingston and Acton.

## Inspired Energy acquired Wholesale Power UK

Deal value: £2m

AIM-listed Inspired Energy, the Kirkham-based energy procurement consultant to UK corporates and SMEs, has acquired rival Wholesale Power UK for £2m. The cash and shares deal further enhances Inspired's service offering, as well as providing the group with entry into new industry sectors, including leisure and logistics. Following the acquisition, Inspired's order book exceeds £20m.

## Neville Gee acquired by Ideal Recruit

Deal value: Undisclosed

Specialist recruitment provider Neville Gee, based in Burnley, was bought by Salford-based Ideal Recruit for an undisclosed sum. This is the first acquisition in its buy and build strategy in the recruitment sector. The purchase of Neville Gee means it can now drive the business forward to achieve their ambition to become a UK leading provider of interim and fixed term contract staff.



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