CORPORATE FINANCE FACULTY | ICAEW.COM/CFF | ISSUE 224 JULY/AUGUST 2020 | GROWTH OPPORTUNITIES EXPERTISE

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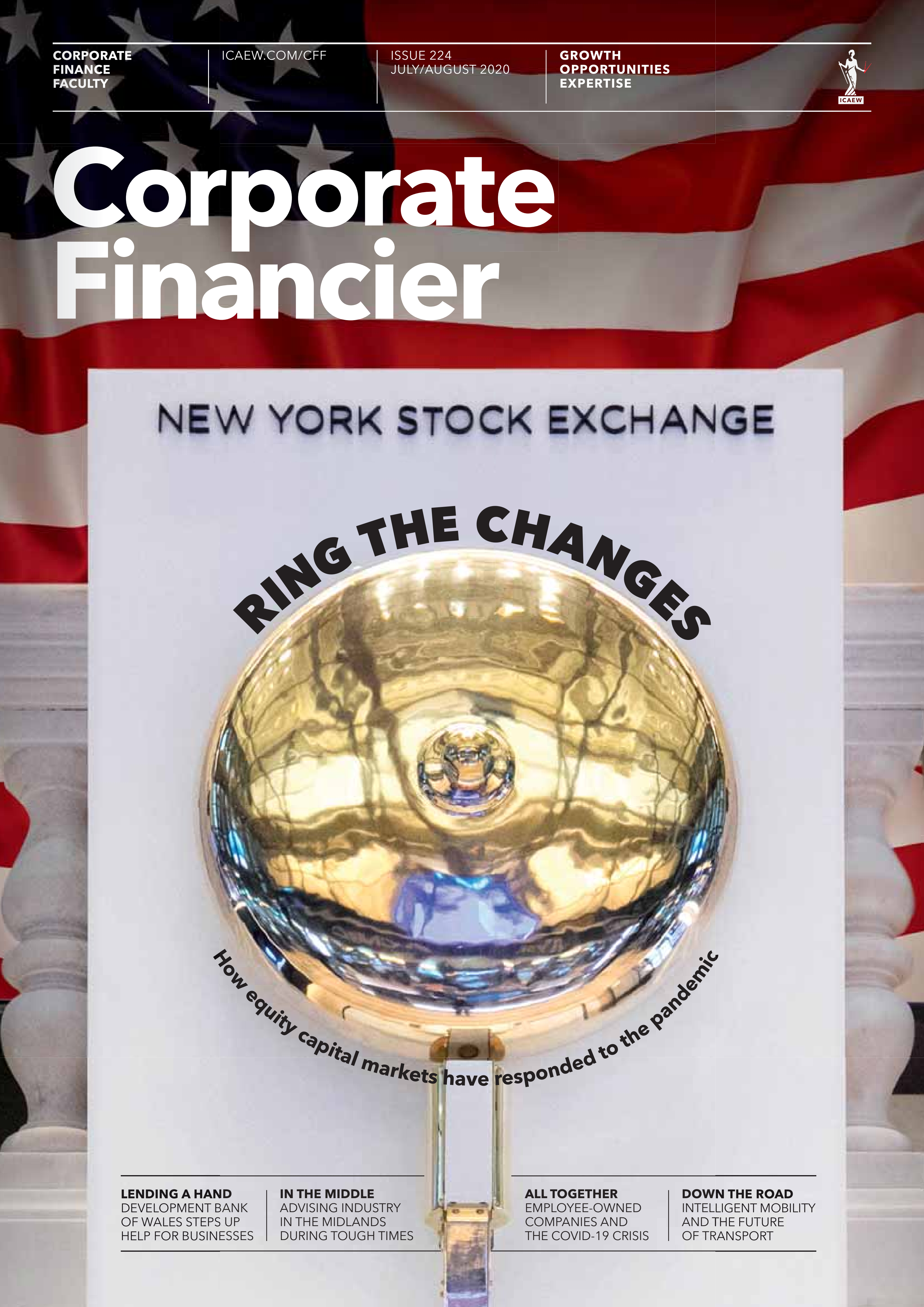

RING THE CHANGES

How equity capital markets have responded to the pandemic

LENDING A HAND
DEVELOPMENT BANK OF WALES STEPS UP HELP FOR BUSINESSES

IN THE MIDDLE
ADVISING INDUSTRY IN THE MIDLANDS DURING TOUGH TIMES

ALL TOGETHER
EMPLOYEE-OWNED COMPANIES AND THE COVID-19 CRISIS

DOWN THE ROAD
INTELLIGENT MOBILITY AND THE FUTURE OF TRANSPORT

July/August 2020 Issue 224

GROWTH
OPPORTUNITIES
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PEOPLE POWER

COVER IMAGE: THE VERDIN COMPANY

Tough to call

In March, as lockdown began, the intention in my house was to use free time to learn new skills. A 30-year-old sewing machine was retrieved from our loft. One half-lesson and one impatient teenager later, and we needed a mechanic to come and fix it. But no one was allowed to visit. Best-laid plans had gone awry. Likewise, businesses have always had to think on their feet. And many will have learnt a few new skills during the past few months.

In this issue's cover story (pages 18-24) Grant Murgatroyd looks at just how capital markets have behaved as the horrors of the global COVID-19 pandemic became apparent, economies juddered, and some governments struggled to respond effectively. The markets have been pretty efficient at delivering some follow-on capital, including emergency rights issues. Many IPOs have been put on ice.

But there have also been some huge stock market debuts and encores in the US – in early June, Warner Music listed on the NYSE, valued at $12.7bn, and later that week Chinese grocery delivery company Dada floated on Nasdaq, valued at $3.5bn.

No one is suggesting that the IPO window is wide open for everyone. Political crises around the world – including China's tightening of its direct control of Hong Kong and the Black Lives Matter protests following the death of George Floyd at police hands in Minneapolis – have increased the feeling that some very significant geopolitical changes are well under way.

When it comes to public companies, what's likely over the next six months is that activist investors will play an increasing role in their decision-making (a subject we've frequently covered in *Corporate Financier*). How well businesses have adapted to the crisis also reflects the quality of leadership they have, how nimble they have been and how well they have looked after their staff. Last year Nobel Prize-winning economist Robert Shiller's book, *Narrative Economics: how stories go viral and drive major economic events*, described how financial panics spread like epidemics – and how collective behaviour as a result of 'viral' stories could enable analysts to predict how markets will move. His previous work, *Irrational Exuberance*, suggested that there was too much emphasis on stock market performance and too little focus on infrastructure, education and other forms of human capital.

Irrational Exuberance was first published in 2000. Then a second edition in 2005 took in the bursting of the tech bubble. And in 2009, insight about the 2008 crash was added to a third edition. I do hope Shiller's typewriter didn't break down during the first week of lockdown...

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YOUR FACULTY

ON BOARD, ONLINE

The Corporate Finance Faculty organised its first ever online board meeting on 28 May as a result of face-to-face meetings being ruled out due to COVID-19. Board members all joined via ICAEW's 'Lifesize' platform and were welcomed by faculty chairman Mo Merali.

Board members – who represent advisory firms, companies, private equity and law firms – discussed government emergency measures to help fund businesses during the pandemic. They also talked about how they were helping their clients and investee companies to meet the challenges that they have encountered, as well as the prospects for the world economy and M&A.

"There was an invaluable sharing of experience and market insights. It will help inform where ICAEW should be directing its efforts as we move to the next phase of the coronavirus crisis," said ICAEW's head of corporate finance, David Petrie. "It will also shape the faculty's output in the second half of the year to address member needs."

NEW BOARD MEMBERS

John Rugman, partner and head of transactions at Smith & Williamson, and Alistair Brew, head of investment operations at the BGF, have joined the Corporate Finance Faculty's board.

Smith & Williamson recruited Rugman in 2013 as head of valuations. He joined the firm from PwC, where he worked in corporate finance for two decades. He became Smith & Williamson's national head of transactions in May 2019.

Brew joined the BGF in 2011 from Octopus Private Equity. Prior to that, he worked for Close Brothers Investments and PwC.

Jane Vinson has stepped down from the Corporate Finance Faculty's board. David Petrie, ICAEW's head of corporate finance, thanked her for her expert contribution to the faculty's work.

BUSINESS FINANCE BOOST

The faculty has continued to work with the British Business Bank to update its Business Finance Guide (BFG) hub in response to COVID-19. Chris Lowe, co-head of advisory at EY and Corporate Finance Faculty board member, has produced guidance for companies making Coronavirus Business Interruption Loan Scheme applications. The BFG website also recommends that businesses seek advice from chartered accountants and corporate finance advisers.

NEW GUIDANCE FOR FINANCIAL FORECASTS

ICAEW's new guidance about preparing prospective financial information (PFI) has been published. While early adoption is encouraged, the effective date is 15 October 2020. The guidance for the preparation of forecasts, projections, budgets and business, revenue, profit, cost-saving and synergy plans can be accessed online at tinyurl.com/CF-GuidePrep

It supports the preparation of any PFI so that it is relevant, reliable, understandable and comparable.

Katerina Joannou, ICAEW's capital markets manager, who convened the working group for new guidance, said: "Four overriding points apply when preparing forecasts – including in deeply uncertain times: work out who the information is for and its purpose; root the information in analysis of the business; make clear what the information relates to, the risks and uncertainties and how they are mitigated; and be ready to compare the forecast against the actual outcome."

NEWS IN BRIEF

The Corporate Finance Faculty and Immerse UK organised a special online forum for innovative companies in the creative industries on 1 July.

Fabio La Franca from Station 12, Katherine Gilroy from Seedrs, Puneet Raj Bhatia from Funding London and Shaun Beaney from ICAEW were on the panel to discuss raising venture capital during the COVID-19 crisis. It was chaired by Asha Easton, co-ordinator of Immerse UK, a fast-growing network for businesses, technologists, academics and investors who are involved in developing VR, AR and XR applications and services.

Corporate Finance Faculty members who normally receive *Corporate Financier* at their offices can choose to receive it at home by updating their contact information by emailing cff@icaew.com or online at tinyurl.com/CF-GetCFDelivered

Members can also ensure that they receive the faculty's monthly e-bulletin by emailing: grace.gayle@icaew.com.

GETTY IMAGES

JACKIE BOWIE

WHAT DATA?

Making economic predictions is hard enough in normal times. But with COVID-19, that challenge is even greater

Coming into 2020, with the path to Brexit slightly clearer, there was more business optimism than there had been for the past few years in the UK.

But as the scale of the global policy response to COVID-19 became evident, business owners and senior executives moved from making decisions in the medium term to triggering emergency responses and contingency planning – not to mention the mammoth task of pausing operations and mobilising entire workforces to work from home.

Writing an outlook piece is always challenging, but this time it's impossible to look beyond the next three to six months with any certainty. The effort to close the economy down in different parts of the world is nothing compared to what is needed to restart it – particularly under new working conditions. The normal rules of engagement are void. Economic data releases, company earnings guidance (for those brave enough to provide any) and lender behaviour give very little insight and so cannot be wholly relied upon.

Let's take one key economic variable – inflation. Even collecting inflation data at the moment is not possible – the normal basket of goods does not apply in these abnormal times, and statisticians are unable to physically collect anything. It's estimated that more than half of the input data is missing. Economists have said we are in a period of 'no-flation'.

As restrictions are eased, even the direction of inflation will be a difficult call. The demand-side shock, the collapse in oil price and the oncoming recession would all indicate lower inflation. However, COVID-19 is a supply shock with a huge loss of productive capacity and inventory shortages. Further, the low inflation we have experienced in the past few years is partially due to globalisation, with supply chains truly international and the lowest possible prices sought. These are now under scrutiny and increased protectionism would imply that inflation is likely to be higher, not lower.

COVENANT WAIVERS

While the extent of monetary policy support has been unprecedented, the Bank of England (BoE) has always held firm in its view that UK interest rates would not move into negative territory. Former BoE governor Mark Carney was frequently quoted as not being a fan of negative rates, highlighting that the UK's financial system was not set up to deal with them. However, his successor Andrew Bailey is not quite so adamant and indicated that he would not rule out negative rates for the UK. The market has already priced this in, with the UK government issuing its first batch of short-dated (three-year) gilts at -0.003%.

On the micro-side of the economy, lenders are being encouraged to support borrowers – and this goes beyond the government-backed loan schemes. Lenders are not insisting on their usual annual asset valuations, they are offering covenant waivers and interest payment deferrals. But this is not sustainable in the medium term. By Q4, when hopefully there will be a sense of normality, the big pause will have become the big reset.

LARGE-SCALE RESTRUCTURING

There is not a single sector or industry that will emerge from this unchanged; and it is not simply the case of adding back lost earnings. Large-scale restructuring, both financial and operational, will occur, and flow of capital could undergo seismic shifts. Pension funds will have to search (even harder) for yield in the global low-interest-rate environment and the new dividend-deprived world. This could mean higher capital allocations to private markets – real assets, infrastructure and private equity – which will help deal volumes. However, this won't happen until it is perceived that asset prices fully reflect the revised return forecasts after COVID-19.

Comparisons are frequently drawn with the global financial crisis of 2008. But this time is different. The health of UK lender's balance sheets is such that even impairment of the £50bn scale of the financial crisis could be sustained without a major impact on their ability to lend and their capital ratios.

The macroeconomic focus of this crisis will be on the health of sovereign balance sheets (not only the UK's) and on the measures that will be taken long term to restore fiscal discipline. These policy decisions will be the biggest influence on dealmaking and transaction volumes not just next year, but for the next decade. ●

Jackie Bowie, co-head Europe, European real estate, Chatham Financial. The firm is a Corporate Finance Faculty member

LENDING A HAND

As COVID-19 forced the UK into lockdown, the Welsh government turned to the Development Bank of Wales to deliver loans to struggling businesses. Marc Mullen speaks to CFO **David Staziker** about saving jobs and livelihoods in the devolved nation

A week into the UK COVID-19 lockdown, the Welsh government and the Development Bank of Wales launched a £100m loan scheme to support businesses affected by the global pandemic. By the second week of April it was fully subscribed.

The COVID-19 Wales Business Loan Scheme, which was part of the Welsh government's £500m Economic Resilience Fund, came just a week after the measures announced by the UK government – including the Coronavirus Business Interruption Loan Scheme (CBILS). Welsh businesses could access CBILS or the Bounce Back Loan Scheme (BBLS), introduced subsequently, as well as the scheme from the Development Bank, which offered loans of £5,000 to £250,000.

"We filled the gap while the banks were getting to grips with CBILS delivery and Welsh businesses were crying out for funding," says David Staziker, CFO of the Development Bank of Wales. "We had to change the way we worked in order to deliver the scheme."

Fortunately, the organisation was already part way through a two-year digitalisation programme: "Of our 230 staff, around a third were reallocated from their usual job to a pod system to process applications. Rolling out Microsoft Teams enabled people to work from home and deliver the scheme with minimal impact on our operations."

There were seven pods, with 70 staff allocated to them. The process included taking in application forms and checking eligibility, doing searches and customer due diligence, researching the investment proposal, sanctioning each loan, checking the legal documentation and, finally, the payment itself.

Staziker recounts how the Development Bank worked with the Welsh government to come up with a "very clear product" (see 'The Terms', page 9): "Of all the applications we had, about 90% were new businesses to us." Staziker says this differed markedly from CBILs and BBLS, because the banks administered those programmes and in many cases lent to existing customers. He adds that the Development Bank, which is a member of the Corporate Finance Faculty, was able to deliver because it is a lean organisation that was able to alter its normal procedures quickly, allowing it to deliver more money to more businesses as quickly as possible.

The first loans were agreed on 2 April, just three days after the scheme was announced,

SUPPORT FOR MANUFACTURING

South Wales Metal Finishing (SWMF) is a long-established family-owned business, based in the former mining town of Treorchy in the Rhondda Valley, South Wales. The business provides a range of finishing services including zinc plating, anodising and polishing to the engineering, automotive, medical, aircraft and metal pressing industries. It applied for a £100,000 loan to help safeguard 14 jobs in the local community.

SWMF director Julia Demaid said: "We now have every chance of weathering the storm of COVID-19. We are so grateful for the support and the turnaround time from applying for the loan. It has enabled us to look after our staff at this incredibly difficult time."

and the first funds reached applicants the next day. The Development Bank previously invested in around 400 businesses a year, but in the first week of the scheme alone, approximately 1,500 applications were received. As at 17 June about £90m has been approved and £80m drawn down, with the average size of loans at almost £60,000. Perhaps most crucially, the number of jobs safeguarded is estimated at nearly 12,000.

The Development Bank's scheme got up to speed before the UK-wide schemes announced by Westminster could, as those covered far more applicants and were being delivered by multiple organisations. However, CBILS and BBLS are working pretty well now, Staziker says: "One of the challenges is on larger deals, where we take debenture security. Getting deed priorities agreed is taking time because the banks have been overwhelmed with the volume of applications going through them, and we need their input."

In addition to support from the UK government, the Welsh government offered grant support via its Economic Resilience Fund, which received almost 9,000 requests. Due to the scale of demand, it was put on pause in order to give them an opportunity to consider what further support businesses, charities and social enterprises need.

Staziker explains: "For our loan scheme there was an initial surge of businesses that were panicking. Some needed cash and some just wanted a comfort blanket. This has allowed them to stay in business. As we start to open up, they'll be looking at the working capital requirements of businesses, and that will be something particularly the government and the banks will have to work with. Leisure, retail, tourism and construction will be the areas likely to be in need of help." ●

1,500

LOAN APPLICATIONS RECEIVED IN THE FIRST WEEK OF THE SCHEME

£90m

VALUE OF APPLICATIONS APPROVED AS AT 17 JUNE

12,000

JOBS SAFEGUARDED AS AT 17 JUNE

CASE STUDY: THE HAND AT LLANARMON

The Hand at Llanarmon, a hotel and spa near Llangollen, Denbighshire, was one of the first businesses in Wales to obtain funding from the scheme. The Hand's owner, Jonathan Greatorex, applied within an hour of the Wales first minister Mark Drakeford's announcement of the new fund on March 30.

The Development Bank of Wales was able to offer a £100,000 loan on 2 April, and the funds were transferred two days later. The loan helped safeguard the future of the hotel and its staff.

"The scheme really was a lifeline for us," said Greatorex. "With 25 staff, the funding from the Development Bank of Wales means that their jobs and our future plans are far more secure. The response of the bank was in sharp contrast to the conduct of high street banks, who were coming under increasing criticism for their handling of CBILS applications."

THE TERMS

The COVID-19 Wales Business Loan Scheme provided limited companies, partnerships and sole traders with loans of between £5,000 and £250,000 at an interest rate of 2%, with an interest and capital repayment holiday for the first 12 months.

"The interest is accrued and has been set at 2% to comply with state aid rules," says Development Bank CFO (and ICAEW member) David Staziker. "We take guarantees of 20% of the loan value, capped at £25,000. That was to ensure that the loan was used very specifically to help the business get through this period, and not for other purposes, such as refinancing existing loans."

There are no arrangement or monitoring fees. Applicant businesses must have been trading for longer than two years and be able to demonstrate that they were able to service that level of debt prior to lockdown. The loan amount was limited based on the number of people employed or a calculation based on profit or turnover. All sectors were eligible; the sectors most active in applications were retail, hospitality and services.

To prove serviceability, applicants needed to provide three months' bank statements for loans of £5,000 to £100,000. For loans of £100,000 to £250,000, two years' annual accounts, management information and a cash flow forecast were required. The security requested was a personal guarantee of 20% of the loan value up to a maximum of £25,000. For loans over £100,000 a debenture also applied.

JON MOULTON

NO TIME FOR ACRONYMS

Protecting companies and employees has to be a policy priority as the UK slowly emerges from the COVID-19 crisis

At the time of writing, the passing peak of the pandemic has been reflected in diminishing yet immensely sad statistics of morbidity and mortality. Inevitably the UK's economy seems likely to have suffered a hit of unprecedented proportions. Some estimates suggest that the outcome will be something around 10 times the impact prophesied by the most pessimistic opponents of Brexit.

The economy needs every bit of help to avoid mass unemployment, and the social and medical consequences that will inevitably accompany a drastic reduction in activity. If there was ever a time to look at cost-heavy regulation, it would be now. No one believes it's easy to change things, but anything that hinders productive employment should be forced to have justification – and quickly. We want our best brains producing, not regulating.

Whenever I become introspective and doubtful of my own usefulness, I invariably go to the publication section on the Financial Reporting Council's (FRC) website as a reliable source for reassurance that souls with lesser purpose are still numerous.

The FRC has posted about 60 original documents since lockdown began 11 weeks ago, which the fully competent chartered accountant clearly should have already read.

As ever, some of the titles are enticing. *Decs taken by FRC extend max dur audit engagement – qtr end 30.04.20* is not an obvious example of the FRC's commitment to clarity. And then there are the mysteries provoked by the content itself. Why are the January 2019 non-executive director's terms of appointment suddenly published on 12 May 2020? There must be a story here!

There was a strange announcement in May, which said: "As the chair of the Financial Reporting Council is a part-time position, it was agreed as part of his appointment process that Simon Dingemans could take on additional roles, provided they did not conflict with his responsibilities at the FRC. This has not proved possible…" Possible? That was intriguing, until it transpired he was off to Carlyle, to a no-doubt better remunerated private equity job.

I have to believe that the flood is capable of significant reduction. We need an explosion in jobs, not acronyms and petty regulation.

Have our regulators in Britain taken job protection as part of their roles? Well, mostly not – furloughs, redundancies and salary cuts are not activities visible among the regulators. So they must still be doing their bit.

This is a time for more radical changes. The Competition and Markets Authority, Financial Conduct Authority and other organisations ought to be obliged to include employment preservation among their duties. Mergers of two weak businesses should be considered not only on the competition grounds, but also on the basis of jobs saved.

WHAT REALLY COUNTS

A unique opportunity exists to change one of the basic errors in our insolvency regime. Currently it is a stated objective of the regime to preserve the company. But who cares about the company? What matters is the enterprise and its staff. Please swap the word 'company' for 'business' so that more jobs will be saved.

There are quite a few other parts of the insolvency regime that need to change to the same effect.

The extraordinary conditions we're living through during the pandemic mean that debate will intensify about remuneration. Executives of companies that have made large-scale redundancies can expect opprobrium if they award themselves big bonuses.

Views on the purpose of business are now rapidly changing. Profits are no longer everything, and even dinosaurs like me have to recognise that corporations – especially the large ones that will fare best in this depression – will be expected to do their best for employees and society. And we accountants will be expected to help by focusing on the most important issues. ●

LOOKING TO THE FUTURE

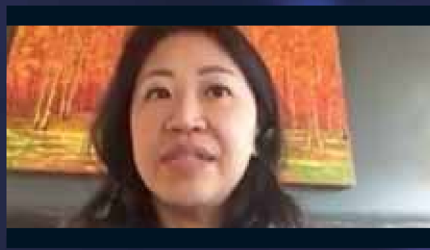
Artificial intelligence (AI) is increasingly being used in corporate decision-making, investment and M&A. Last year, the faculty's Shaun Beaney and Rosanna Woods of Drooms co-authored the *AI in Corporate Advisory* research report. This was followed in May by an evidence meeting held by the All-Party Parliamentary Group on Artificial Intelligence (APPG-AI), hosted remotely due to the COVID-19 pandemic

Chaired by Lord Clement-Jones CBE (who is also a member of the Corporate Finance Faculty's board) and Conservative Party MP Stephen Metcalfe, the panel comprised representatives of the seven organisations that presented evidence for the APPG-AI report:

- **Jan Chan**, TAS chief innovation officer UK, EY;
- **Dr Christine Chow**, head of Asia and global emerging markets, Hermes Investment Management;
- **Naomi Climer** CBE, co-chair, Institute for the Future of Work;
- **Sanu de Lima**, deputy director, corporate governance reform, Department for Business, Energy & Industrial Strategy;
- **David Petrie**, head of corporate finance, ICAEW;
- **Charles Radclyffe**, former head of AI, Fidelity International; and
- **Dr Zoë Webster**, director – AI and data economy, Innovate UK.

It was agreed that successful deployment of AI in corporate decision-making and investment required an efficient and coherent AI strategy across all phases, as well as regular audits of the deployed AI technologies. Furthermore, employees must be sufficiently trained. Lastly, the government must work with businesses to safeguard the responsible use of AI, ensure the upskilling of the workforce and facilitate the supply of talent.

This article is a summary of the main points that the panel discussed and that were raised during the Q&A, which saw 300 experts join online. The detailed Parliamentary Briefing is at tinyurl.com/CF-APPG-AI



Dr Christine Chow,
Hermes Investment Management

When it comes to corporate decision-making and investing, AI can benefit businesses in three key ways.

- Identifying opportunities: keyword searches and news screens identify strategic fit and funding needs that help potential acquirers build a pipeline of targets.
- Regulatory technology enables near real-time legal and tax compliance checks. AI supports document management and processing for transactions. Big data-led factor analysis can be used to assess intangible qualities such as corporate culture and customer trust. Near-real-time location and asset-level data, such as satellite images and on-site sensors, help analysts to collect and process data directly rather than relying on disclosure-based methods.
- Strengthening scenario analysis: interactive data visualisation helps decision-makers get past the noise of big data and makes analytics agile.

These upsides can be captured with success if the risks are managed. Quantifying trust and culture requires a conscious choice of proxy indicators to measure them. The indicators may not fully capture what needs to be assessed and could be situational, so decision-makers should understand the rationale and limits of them.

AI analytics are often associated with a degree of confidence in the results. How do statistics and probabilities affect corporate decisions and pricing? Statistics refresher courses can help decision-makers more confidently challenge the recommendations presented to them.

Companies should map out their group AI footprint and an inventory of algorithmic models, with board oversight for AI governance. This ensures group-wide consistency and efficient use of resources. They should publish AI principles that reflect business strategy, demonstrating transparency and accountability.

David Petrie,
head of corporate finance, ICAEW

The potential for the use of AI-based technologies in corporate decision-making is unquestionable, although applications are still at an early stage.

Machine reading and learning are already being deployed in virtual data rooms that are used throughout the M&A deal process – particularly on the legal side, for contract analysis and in financial analysis, modelling and scenario planning.

The greatest potential for the more widespread application of AI in the deal process is in, variously, origination, company valuation, due diligence and all-important post-transaction integration.

ICAEW supports responsible innovation by companies, financiers, and corporate advisers. This is vital for ensuring public trust.

We recommend that corporate finance practitioners adopt a principles-based approach that takes into account the ethical codes and protocols that have already been developed for professional services and for broader investment activity.

Therefore, we do not believe that specific new regulation of AI in corporate finance is necessary.

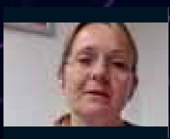
ICAEW suggests that guidelines for the use and application of AI in corporate decision-making and oversight by companies should:

- recommend appropriate and practicable levels of disclosure;
- include within corporate reporting requirements an explanation about how AI-based technologies have been deployed;
- ensure clarity about the various responsibilities of corporate executive and non-executive directors; and
- encourage measures that boost investment and innovation in AI, rather than hinder them.

Jan Chan, EY

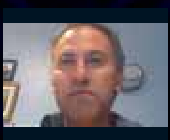
"AI is sometimes feared as a risk to jobs, but in the current situation we have the opportunity to utilise AI-augmented decision-making to respond quickly to urgent challenges, which will be required in order to boost the post-COVID-19 UK economy. AI will enable us to find solutions backed up with evidence-based computational statistics."

Naomi Climer CBE, Institute for the Future of Work



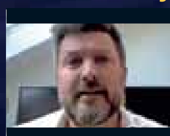
"It's important to be really clear about what outcome the AI is meant to achieve. This then makes it possible to check that it's doing what was intended. It's essential to audit the AI to check for equality, fairness, accountability, sustainability, transparency and data protection. It's also necessary to take actions based on the audit findings to mitigate any issues that emerge."

Sanu de Lima, Department for Business, Energy & Industrial Strategy



"One practical application of AI is around high-volume information analysis. For corporates in the first instance the application of AI could be really beneficial, partly given the increased demands on public companies when it comes to corporate reporting, and the number of things they have to report on. In light of the COVID-19 situation, we are looking at increased flexibility for equity raising in the market. It's increasingly important for market supervision to be able to monitor quick developments – for example for flexibilities for pre-emption rights in terms of raising equity."

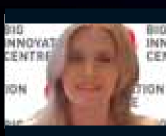
Charles Radclyffe, formerly Fidelity International

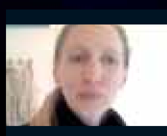


"What's true of firms who have made the most of AI-based technologies is that they've done three things: recognised long-term competitive advantage that a data-centric approach can bring; built the capability to deliver on this; and largely put in place the governance mechanisms to ensure the engine doesn't fall off mid-flight. Boards and investors should take note of these themes and work to understand how to implement them in their own operations or investments."

Dr Zoë Webster, Innovate UK

"The impact of AI will not be limited to a single sector or solely to the firms that develop and produce AI tools and technologies. Many sectors have started to identify and pursue specific opportunities to use AI. This may be to boost productivity in their specialised processes or to increase competitiveness and sales through the development of new or improved products, processes or services for the market, such as to develop more personalised financial products." ●





*The meeting was co-ordinated by **Professor Birgitte Andersen**, chief executive of the Big Innovation Centre, and **Dr Désirée Remmert,** the centre's AI lead*

SMART MOVES

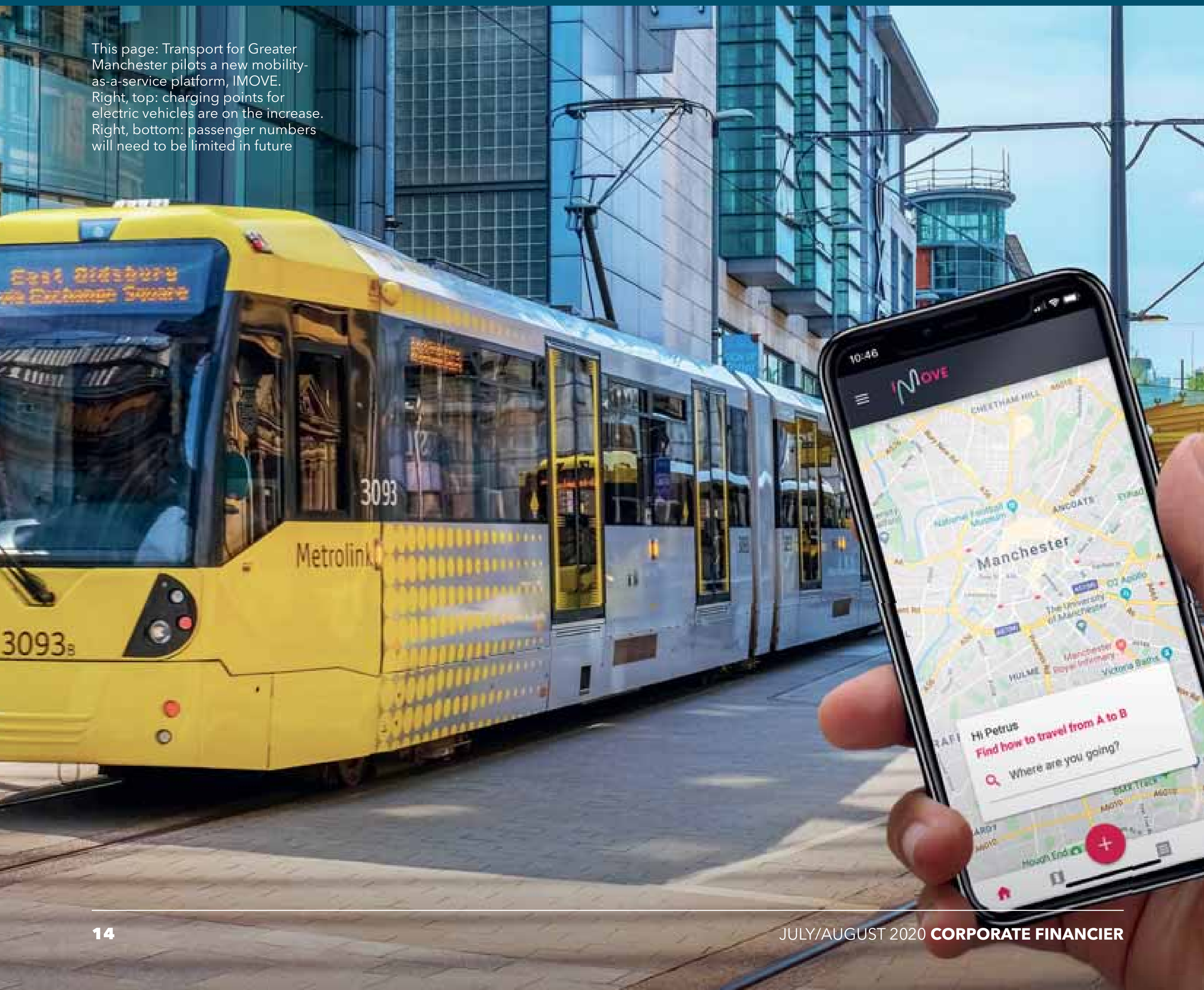
Intelligent mobility is likely to be a central part of the UK's strategy to achieve a carbon-neutral environment by 2050. Brian Bollen looks at where investment is being made and what the future might look like

The COVID-19 lockdown may have given us a glimpse of the future, with polluted skies clearing in many cities across the world. But shutting down huge swathes of the economy is obviously not sustainable. There are still emission targets to meet, so finding a way to keep people, goods and economies moving while safeguarding the environment is essential. And intelligent mobility will play an important part in doing so.

To the best of our knowledge, intelligent mobility or mobility-as-a-service (MaaS) didn't even exist just five years ago. But it has quickly become a phenomenon.

Rupert Weston, an M&A partner at Burges Salmon in Bristol, specialises in transport. He defines intelligent mobility as simply getting people or goods from A to B in a more environmentally friendly and efficient way than we have done traditionally. And this is achieved using traffic and goods flow data.

The emphasis within this concept is on building up existing capabilities that have entered into infrastructure systems over the past decade, rather than the more capital-intensive route of tearing apart and upgrading existing



This page: Transport for Greater Manchester pilots a new mobility-as-a-service platform, IMOVE. Right, top: charging points for electric vehicles are on the increase. Right, bottom: passenger numbers will need to be limited in future infrastructure. The most immediately obvious examples to date include smart signalling on railways and smart motorways, which enable trains and traffic to run more efficiently, thus increasing capacity. In its declared aim to become carbon neutral by 2050, the UK is looking at expanding the network of charging points for electric vehicles in order to combat pollution.

TICKET TO RIDE

In the wake of the COVID-19 pandemic, it looks like we will have a future where the demand for electric vehicles increases as the appetite for using public transport falls. Paperless ticketing was already becoming the norm and cheek-by-armpit rail travel will be shelved for now. Social distancing of some sort is likely to become the new normal, and with that may come mandatory pre-booking of seats and adoption of technology to reassure customers that passenger numbers will be limited.

There is therefore huge opportunity for technology-based businesses to grow. For example, in April 2020 transport software business Tracsis acquired rail industry smart ticketing outfit iBlocks. Other companies will be using M&A to acquire new technology in instances where they lack the resource to develop it quickly themselves.

Costain Group acquired transport tech business Simulation Systems, which specialised in traffic monitoring, in 2016. This allowed the large road builder to acquire niche technology that moved it into greater value-add areas of aftercare. "We've seen it in other sectors, where injecting technology into existing products has become important," says Weston. "This might previously have been done in-house, but now will often dictate recruitment by acquisition."

Facebook's approach to expanding its technology through M&A has been to

"We've seen it in other sectors, where injecting technology into existing products has become important"

Rupert Weston
M&A partner,
Burges Salmon

FLEET OF FOOT

In 2018, BGF acquired a minority stake in Fleetondemand, which has developed software to help reduce the cost of moving people and goods. "We conceive, build and market technology that is used by businesses to move employees," says its CEO Justin Whitston. "They can find, book and pay for flights, trains, car hire, car clubs, car shares and taxis, and use a company car fleet or arrange appropriate hotel accommodation. We aggregate these capabilities into a single app that organisations and individuals can use."

Whitston built software-as-a-service platform Intelligent Rental Information System for Nexus Vehicle Rental, which was sold to LivingBridge in 2008. Then, in 2011, he founded Fleetondemand. Its in-house technology now manages millions in revenues and transactions for some of the industry's largest rental brands, including Hitachi, Inchcape and RAC. In February 2017, it launched what it claims is the world's first truly integrated mobility-as-a-service application, Mobilleo.

BGF played a key role in the acquisition of Fleetondemand's longstanding partner, Fleet Europe, in August 2019. Chris Boyes and John Eggleston led the investment for BGF in 2018, with KPMG acting as corporate finance adviser.

"We want to grow organically and by acquisition," says Whitston. "We are in the middle of a five-year plan, which we are currently resetting to reflect the impact of COVID-19. We plan to launch in Europe at the end of this year and move on from there. We have the firepower to make acquisitions should suitable opportunities arise."

Justin Whitston
CEO,
Fleetondemand

EV RETHINK

In January 2020, Hyundai Motor Company and Kia Motors Corporation announced a €100m investment in UK-headquartered electric vehicle company Arrival.

The investment marked the start of a strategic partnership between the auto-makers to accelerate the adoption of commercial electric vehicles globally. Hyundai and Kia say Arrival technologies will help achieve their recently announced goal to electrify their vehicle offering.

Arrival is 'reimagining' vehicle design and assembly to create the second generation of electric vehicles. The first generation were effectively existing fossil fuel vehicles retrofitted with electric power trains, making them expensive, inefficient and costly to run and maintain. In contrast, Arrival's Generation 2 vehicles have been designed, with improvements in cost, design and efficiency.

These vehicles are to be assembled using small footprint microfactories located in areas of demand.

Arrival has created in-house software, components, sustainable materials and modular platforms.

The stated aim is for Arrival, Hyundai and Kia to use these flexible platforms and technologies to create new purpose-built electric vehicles across multiple vehicle categories.

In January, UPS ordered 10,000 bespoke vehicles.

FOCUS THE MIND

Waymo, which began life in 2009 as the Google self-driving project, closed its financing round in May at $3bn. It says it will use this injection of capital to increase investment in its staff, technology and its Waymo One and Waymo Via operations.

Waymo claims that COVID-19 has underscored how fully self-driving technology can provide "safe and hygienic personal mobility and delivery services".

In December 2019, Waymo acquired Latent Logic, a UK-based start-up that uses machine learning to develop autonomous driving systems. Latent Logic, which was spun out of Oxford University, was valued last June at nearly $8m with a round of early-stage funding. Former backers include Oxford Capital Partners.

identify a desired corporate capability and then acquire a company that demonstrably has it. This quasi-VC approach is being taken by large companies, which are setting in-house investment funds to hedge their technology bets.

"The aim is to build a technology stable that might add value and buy strategic stakes in small and nimble technology companies. But they are not all expected to succeed," explains Weston. "It only needs one or two to take off to make the effort worthwhile."

Brian Wong, Bristol-based chair of the transport and technology mobility team at law firm and Corporate Finance Faculty member organisation Burges Salmon, says the future of transport - whether rail, bus, aviation, maritime or cars - is integration. "No more silos," he states. "There will be an emphasis on end-to-end mobility rather than transport components."

"Intelligent mobility will be app-based, but we will also see a growth in the numbers of electrically powered and hydrogen-fuelled vehicles, more drones, the introduction of increasingly autonomous vehicles, and new models for - and modes of - micro-mobility, such as e-bikes and e-scooters. All will be increasingly connected and provide valuable data for integration and planning."

In 2018, BGF invested £5m in Fleetondemand, which provides transport integration software for businesses (see box, 'Fleet of Foot', page 15). Its CEO Justin Whitston says: "If you bring all forms of transport onto one app and nudge people onto public transport, you rid cities of cars. Our vision is to make MaaS as convenient as owning what is, for 97% of its working life, a large parking machine."

There will be more autonomous vehicle projects, whether in the form of slow-

"Intelligent mobility will be apps-based, but we will also see a growth in the numbers of electrically powered and hydrogen-fuelled vehicles"

Brian Wong
director, Burges Salmon

moving pods such as those at Heathrow Airport's Terminal 5, or full-sized vehicles such as those being used in the ongoing trials being carried out by Waymo, the driverless car subsidiary of Google's parent company Alphabet.

Wong warns against over-hyping the speed of technological development. Driverless cars will remain a concept rather than an everyday reality for the foreseeable future. Only the low-hanging fruit is likely be harvested in the near term, such as autonomous vehicle systems being used in industrial applications and on business parks, or as driver assistance features, for example keeping cars lane-disciplined or with automatic braking to avoid accidents. As well as making transport more efficient and cleaner, he is of the view that intelligent mobility will also make it safer and more affordable.

As Whitston says: "On the surface, we are selling future intelligent mobility services, but indirectly we are selling future clean air." ●

Top: transportation company Lime provides dockless electric bikes and scooters around the world.
Above: driverless pods transfer passengers from car park to check-in at London Heathrow's Terminal 5

ALAMY, GETTY IMAGES

ON THE IMOVE

Last year, Transport for Greater Manchester (TfGM) announced it was working in partnership with Fleetondemand's Mobilleo mobility-as-a-service (MaaS) application to fire up its EU-funded IMOVE project. The aim was to create an integrated travel solution for the people of Manchester by improving how different modes of transport work together.

Its goals are to reduce traffic congestion, improve air quality and encourage shared and active travel by allowing passengers to manage their journeys using a single application.

The technology was enhanced by support from members of the Urban Mobility Partnership, which represents many different forms of urban transport and includes Enterprise Holdings, which represents car and car-share sectors.

TfGM worked with the Mobilleo platform to consolidate multiple modes of transport into a single IMOVE-branded bespoke app. This provides travellers with instant access to car hire, car clubs, trains, buses, Metrolink trams and TfGM's Local Link Service, allowing them to plan, book and pay for each journey using any iOS or Android device.

There are four other 'European Living Labs' currently investigating and validating IMOVE trials – Berlin, Madrid, Turin, and Gothenburg. The ultimate aim is a scalable MaaS app for the whole of Europe.

Ring the changes

As COVID-19 turned into a global pandemic, equity markets went through a cycle of reacting slowly, taking a big hit, recovering a little, and then, in mid-June, falling back again. Grant Murgatroyd looks at how the crisis has affected public companies and IPOs and asks: what will the fallout be across the world?

Pinpointing exactly what made stock markets realise the severity of the coronavirus pandemic is difficult. Despite the World Health Organization's declaration of a Public Health Emergency of International Concern on 30 January, markets held steady through to the third week of February.

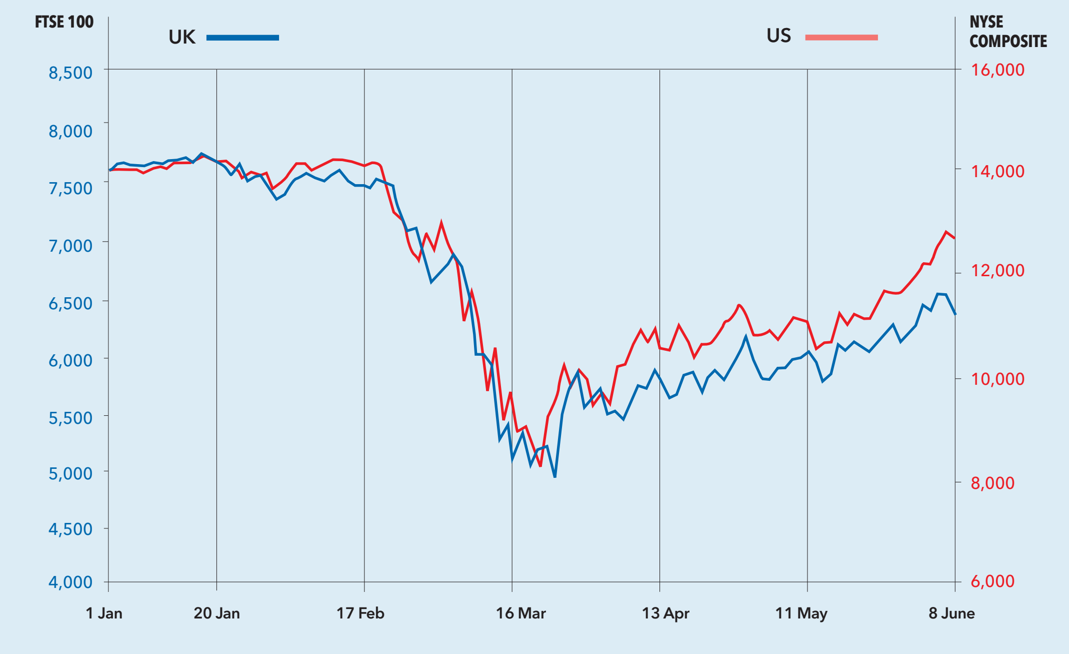
The weekend of 23 and 24 February saw a double-digit increase in detected COVID-19 cases in Italy, Japan, Iran and the US, and the death toll outside China rose above 10. And on 25 February, the markets panicked. More than $1.7trn was wiped from the value of companies across the world in a single day.

As the news became worse and worse, and countries brought in restrictions on both people and businesses, markets fell further. This downward spiral continued for a month.

The composite index of the New York Stock Exchange (NYSE), the world's biggest stock market, plummeted from 13,976 to 8,777 by 23 March - 37.2% was wiped off the value of companies. Over the same period, the FTSE All-Share Index of London-listed stocks lost 32.6%.

Though confidence has steadily come back to the market, as at 15 June, the composite NYSE index remains 16.7% lower than it was on 21 February.
The COVID-19 crisis followed a period when geopolitics

STOCK EXCHANGES IN LONDON, NEW YORK AND ACROSS THE GLOBE ON A ROLLERCOASTER RIDE



SOURCE: LSE AND NYSE

was dominating thinking in global markets. A long-mooted trade war between Western economies and China was shaping up to be an issue for capital markets across the world before the pandemic became a reality. The fact that the virus started in China was not downplayed, and COVID-19 will have merely postponed this battle (see 'Future battlegrounds', opposite).

In fact, geopolitical manoeuvrings have not abated. China is increasing its direct control of Hong Kong. There's huge uncertainty about the coherence of US foreign policy under president Donald Trump. In May, it was reported that UK prime minister Boris Johnson planned to reduce Huawei's involvement in the country's 5G network to zero by 2023.

In April, the investment by China Reform Holdings in LSE-listed graphics maker Imagination Technologies was stopped following UK government intervention. Assurances that the Chinese company would be a passive investor in the British one were unforthcoming.

RESCUE BIDS

So, which equity markets have responded best to the chaos caused by the pandemic?

In scale terms, the US is still on top. The IPO window may have shrunk in March, but it was left ajar and eight companies were able to raise $1.6bn on US exchanges in the three months to April. Follow-on investment slipped to $2.5bn in March, but by May markets were running well and 74 companies raised $35.2bn in a single month.

The UK market, however, was arguably the fastest to respond with $3.54bn follow-on raised by existing listed companies in April - a shade more than the $3.53bn raised in the first three months. By comparison, US follow-on fundraisings of $8.86bn in April alone were less than half the total for the first quarter. The amount of capital raised in the rest of Europe has been less volatile. March was the slowest month with $4.18bn raised - less than half the $8.71bn raised in February.

While follow-on investment trends in Asia-Pacific (excluding Japan) have broadly been comparable with other regions, the region has bucked the IPO trends seen in other markets. The quietest month was February, as 39 new issues raised $5.6bn. In total, 230 companies have raised $23.56bn.

CALM BEFORE STORM

In the run-up to this call for follow-on capital, stock markets around the world had enjoyed a marathon bull run stretching back to March 2009. "Interest rates have remained at extremely low levels," says Gareth McCartney, EMEA head of ECM and global head of ECM syndicate at UBS.

"Equities as an asset class have been attractive relative to a low or even negative interest rate provided by the bond market, providing both a dividend yield and potential with capital upside. A lot of the money has gone into passive funds, which is indicative of an asset class decision to own equities and get exposure without necessarily wanting to pick stocks. That led to a very low volatility environment and very good valuations in many parts of the market."

From a peak score of nearly 80 in October 2008, volatility (as measured by the Chicago Board of Options Exchange's Volatility Index) settled. For most of the next decade it was below 20, with occasional spikes above 30 (such as in February and December 2018).

Both came with market corrections as CNBC Markets reported that it was unclear what had caused either blip and that traders placed the blame on

"There's a saying that every bull market has to have a wall of worry and those walls were increasingly noticeable"

Chris Nicholls, partner, financial advisory, Deloitte

"A number of companies are front-footed, raising equity so that as we move through the COVID-19 period they can benefit from the genuine market opportunity"

James Taylor, co-head of investment banking, Numis

"Investors are principally focused on their existing portfolio holdings rather than looking at new investments"

Rick Thompson, head of corporate finance, Cantor Fitzgerald Europe

FUTURE BATTLEGROUNDS

The passing of US Senate bill, Holding Foreign Companies Accountable Act, introduced by Democrat Chris Van Hollen and Republican John Kennedy on 20 May, is perhaps a sign of things to come. The bill could force some Chinese companies to de-list from US Exchanges.

The new regulations demand that companies must apply with US accounting board audits for three previous years in order to list in the country. Companies must also disclose whether they are owned by a foreign power. Chinese and Hong Kong-registered businesses prohibit US inspection of their accounts.

"For too long, Chinese companies have disregarded US reporting standards, misleading our investors," argued Van Hollen. While Kennedy said: "China is on a glide path to dominance and is cheating at every turn."

US exchanges could become battlegrounds for the US and China. During the same week the bill was passed by the Senate, Nasdaq introduced rules that required companies to raise $25m or a sum equivalent to a quarter of the value of the group, in addition to having a special adviser familiar with the levels of transparency necessary to be a listed company in the US.

Both moves came in the wake of an accounting scandal involving the Chinese coffee chain Luckin Coffee, where there was evidence that $310m of sales had been fabricated.

In April, Reuters reported that China was urging domestic companies to look at listing in London and strengthen overseas ties in the wake of the COVID-19 crisis. Chinese authorities have given the go-ahead for China Pacific Insurance and SDIC Power to reboot their plans to list their shares in London after both deals were halted last year.

European Commission vice-president Margrethe Vestager told the *FT* that she had no issues with "states acting as market participants if need be" in the context of protecting businesses from Chinese takeovers.

With it being election year in the US, it will be very interesting to see if the country has any further moves and what approaches will be taken elsewhere.

"actions by the Federal Reserve and that other favourite scapegoat, computerised trading".

"We were effectively more than 10 years into a bull market," says Chris Nicholls, who leads the UK IPO and equity capital markets team at Deloitte. "So although a lot of indices were at significant highs, they were very much prone to bouts of worry and in the last two years have seen these big risk-off moments.

"There's a saying that every bull market has to have a wall of worry and those walls were increasingly noticeable. Even before COVID-19 struck there were a lot of people that were not confident. Issuance in London of around £30bn in 2019 was reasonable, but it was far from a rosy IPO market."

In January and February there were three IPOs on the LSE of UK companies, raising a total $590m, according to data provider Refinitiv. One of them included FRP Advisory (a member of the Corporate Finance Faculty), which achieved an £80m fundraising at a valuation of £195m. Cenkos Securities acted as sole book runner, nomad and broker on the AIM issue while Dentons provided legal advice.

The issue was a sign of the relative health of the market, with investors willing to commit to a people-led business where existing shareholders were taking a considerable amount of cash out. The IPO completed a process that had been mooted in 2018 but shelved because of Brexit-related uncertainty.

At the beginning of June, Warner Music Group listed on the NYSE. The company was valued at $13.3bn. Later that week, Chinese grocery delivery company Dada went ahead with its IPO on Nasdaq. The listing valued the company at $3.5bn, despite warnings in the prospectus that it could be delisted. Then, on 16 June, Royalty Pharma raised $2.2bn, valuing it at $16.7bn at IPO and at well over $26bn by its first-day close.

The same week, Nasdaq-listed Chinese e-commerce group JD.com raised $3.9bn from a secondary listing in Hong Kong.

RAPID RESPONSE

As the pandemic unfolded, governments and central banks acted decisively. On 11 March, the Bank of England announced a range of measures including a 50-point rate cut to 0.25%, a new Term Funding Scheme that could provide more than £100bn for companies and contained special measures for SMEs, and a reduction in countercyclical capital buffer for banks to 0%.

The European Central Bank launched a €750bn temporary asset purchase programme on 19 March, while US Federal Reserve cut interest rates and committed $700bn to asset repurchases only to remove that ceiling a week later as it committed to use "its full range of tools to support the US economy".

The speed and scale of the policy response did much to calm nerves. Rick Thompson, head of corporate finance at financial services firm Cantor Fitzgerald Europe, says: "Investors are principally focused on their existing portfolio holdings rather than looking at new investments. They have used their cash to support portfolio companies with working capital and for balance sheet repair."

There had been a steady stream of follow-on issuance in the UK in early 2020. In January, 24 companies raised a combined £1.44bn. In February, 25 companies raised £1.52bn.

Then in March there was a dramatic reduction, with 27 companies raising just £566m according to data from Refinitiv. While there may have been no IPOs since then, investors have performed an admirable job supporting listed companies with a total of 100 follow-on issues and more than £10.8bn raised.

ON THE FRONT FOOT…

Capital raisings have been both defensive and opportunistic with rights issues and placements the preferred method (see 'Banged to rights', opposite). Online fashion retailer boohoo raised £198m in a private placing through an accelerated book-build with Zeus Capital and Jeffries International acting as joint global co-ordinators. It says: "The group intends to use the net proceeds of the placing to take advantage of numerous opportunities that are likely to emerge in the global fashion industry over the coming months. The group continues to review a number of possible M&A opportunities."

With JP Morgan, HSBC and Barclays Bank as book-runners, Numis Securities acted as a joint co-ordinator for the £247m placing of ASOS, in addition to an extension of the online retailer's £350m debt facility. "While the company's financial position remains robust, the duration and impact of the COVID-19-related crisis remains uncertain and ASOS wants to ensure it can weather and exit the current trading environment in a position of strength," said ASOS.

Numis has worked on what James Taylor, co-head of investment banking, calls front-footed equity raising for a host of UK companies, including ASOS, On the Beach and Keyword Studios. "Equity markets have been very active in March through May," he says. "A number of companies are front-footed in the

"Investors are more than happy to support their existing investments, providing that they think that what was a profitable business before COVID-19 will be a profitable business after"

Diane Craig
head of capital markets, RSM

"We're probably in late phase two at the moment, in stabilisation, which is still very fragile and volatile"

Gareth McCartney
EMEA head of ECM and global head of ECM syndicate, UBS

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BANGED TO RIGHTS

Stock market activity on the London Stock Exchange since COVID-19 has been dominated by rights issues, with the vast majority executed through 'cash box' placements, where up to 20% of the issuer's share capital can be raised without the need for shareholder approval or a prospectus. AIM companies are not even restricted by the 20% ceiling and can exploit the whole of any unused allotment authority granted at its AGM, typically set at a third of its share capital.

Deloitte's Chris Nicholls sat on TheCityUK's review panel in 2015, which made a number of recommendations as to how to increase flexibility in the ways that growing companies can access capital markets. But, until the coronavirus crisis, uptake had been low, largely because of investor concerns. "The rules were changed for the better," he says. "These things happen very, very quickly. You have two days of pre-marketing before the announcement, then often they're announced at seven o'clock in the morning and closed by lunchtime or early afternoon."

The mechanism enabled UK-listed companies to respond faster to the changed environment than their peers in the EU or even the US.

Cash boxes have played a central role, but there have been criticisms. "Because they're effectively intraday transactions, they are open almost exclusively to investing institutions and existing shareholders," says Nicholls. "That has led to a very valid debate about how to accommodate retail investors in these offers."

Hospitality group Whitbread launched a rights issue to raise more than £1bn on 21 May, eschewing the cash box route and issuing a prospectus that will allow all its existing investors to participate. Morgan Stanley and JPMorgan Cazenove acted as joint sponsor, corporate broker and global co-ordinator.

THE VERDIN COMPANY, GETTY IMAGES, MILEMMIUM IMAGES

SITTING THIS ONE OUT?

The success of equity capital markets in meeting the needs of listed companies has left little room for alternative sources to get in on the act. In the early days, banks hunkered down. RSM's Diane Craig says a potential refinancing was in the early stages and was put on hold by some debt institutions who wanted to assess the impact of COVID-19: "Banks weren't looking to put new things to committee until they had a better feel as to what COVID-19 was going to look like. Now that we're several weeks through they have relaxed a bit, but the due diligence process will be much more thorough, it will take longer, and they will want to see a lot more scenario testing."

UK banks have also been busy with the various government support schemes. "It took time to get the infrastructure in place to start to process applications for funding, but capital is starting to flow," says Fenton Burgin, head of UK advisory corporate finance at Deloitte. "Support has been requested in consumer, travel, hospitality and other stressed sectors and we expect that to continue through July and August as more companies run out of cash. With a V-shaped recovery looking increasingly unlikely, it's going to be a longer haul for many."

PE funds have been largely kept from the market by a need to make sure their existing portfolio companies are in good shape. "While PE funds have had the opportunity to look at public companies, there has been competition from shareholders who are very keen to support good companies and have stepped up," says UBS's Gareth McCartney.

current environment, raising equity so that as we move through – and hopefully out of – the COVID-19 period, they can benefit from the genuine market opportunity that is there for them."

...AND ON THE BACK FOOT

Many companies have had to raise capital to survive but, where the fundamentals are good, have found the market receptive. Pub chain Wetherspoons raised the £141m it targeted in April at just 6% of a discount to the share price, saying the money was sufficient to cover closure of its pubs until June and slow trading on reopening.

The road was particularly bumpy for carmaker Aston Martin Lagonda. It took almost a month from March to complete its rights issue and the company raised £536m in total – £171m came from a private placement with a consortium led by F1 magnate Lawrence Stroll and £365m from existing shareholders (but not until underwriters Morgan Stanley, Deutsche Bank and JP Morgan Cazenove dropped the share price by 86% from 207p to just 30p).

"Investors are more than happy to support their existing investments, providing they think that what was a profitable business before COVID-19 will be a profitable business after," explains Diane Craig, head of the capital markets team at RSM. "They're not going to just blindly write cheques to prop businesses up where the whole business model has been called into question." She adds that investors are more focused on how companies protect themselves through COVID-19 and what that means going forward. This means there will be a lot more angles and detail to the due diligence than before.

Carlton Nelson, co-head of corporate broking at Investec, says: "Equity markets have performed extremely efficiently. People looked quickly and in depth at the facilities headroom and how they were going to weather the storm over the coming three, six, nine, 12 months and even beyond that, depending on the sector. It's been really encouraging to see institutional investors in public markets supporting these public companies. It wasn't long ago that there was a lot of chat about how public markets aren't the way to exit your business any more, given access to private capital. The past two or three months has proved it's an extremely good place to be."

Two to three months in, and investors are becoming a little bit more judicious. "Right from the start it was clear that investors had gone through their portfolios and worked out which companies were likely to need to raise capital and which weren't, and had earmarked capital for those potential raises," he adds. "There's clearly been a lot done by the fund managers to ensure that they've got the right levels of cash to fund their existing portfolios."

So what does the future hold for markets? McCartney says there are three phases as far as listed companies are concerned. The first was general equity de-risking, COVID-19-induced and accelerated by the slump in the oil price. "Investors sold aggressively to get their growth exposure down, and it was quite indiscriminate," he says.

Phase two was one of stabilisation, where the indications were that the world was headed in a better direction, partly due to the speed of policy response, and partly because the market was technically oversold at that point. The third phase will be the recovery phase, when credit and volatility indicators are normalised, most people are back at work and the economy is back on a more level playing field.

"We're probably in late phase two at the moment, in stabilisation, which is still very fragile and volatile," says McCartney. "Every recovery is bumpy and it's not going to be a simple V-shape, but for COVID-19 specifically to cause a serious longer-term equity correction there would have to be a major second wave. It's more likely that the bigger risk to markets would come from the company and macro data as equity investors refocus their attention there and they did not reflect the anticipated recovery." ●

CALIFORNIA DREAMING

Is the US a world apart when it comes to backing early-stage high-tech companies? **Shaun Beaney** reviews *Venture Capital Performance* by Keith Arundale, which explains the country's success

The US has been wracked by social and political tension in the wake of the COVID-19 crisis and the events that led to the Black Lives Matter protests. But there is no doubt that the superpower still leads the world in many things. One is venture capital. China is racing up the VC rankings. Europe – with London as its most successful hub – produces some deep R&D and technological know-how. But the West Coast is still king when it comes to turning digital ideas, expertise and funding into high-growth companies.

Dr Keith Arundale's new book, *Venture Capital Performance: a comparative study of investment practices in Europe and the USA*, is based on PhD research he undertook at the Adam Smith Business School. Arundale, a long-standing ICAEW and Corporate Finance Faculty member, has taken a qualitative rather than data-led approach, interviewing members of 64 VC firms in the UK, continental Europe and the US, as well as LP investors, corporate venturers, entrepreneurs and advisers.

He argues that although the UK, for example, has plenty of start-up money, technological innovation and entrepreneurs, "there is a need for quite fundamental changes in both the practice of European investors and in the wider ecosystem".

DOUBLE DOWN

American VC funds have greater scale, which enables them to make bigger bets and follow their money in young, high-growth businesses to scale up quickly. Bigger funds make it easier for partners to double up on deals, and to share information, insights and expertise with each other. They can also employ external venture partners who bring even more specialist skills and knowledge.

Top VCs recruit partners who themselves have impressive entrepreneurial and operational backgrounds and contacts. They can check out disruptive technologies and develop investment themes. This ensures that those partners see the best deals, carry out very effective due diligence and 'groom the investments to success'.

The one-in-10 strategy, of seeking at least one major success in a portfolio, is a well established approach in the US and generates most of a fund's return. At the centre of Arundale's research is the proposition that outlier performance by the very best US funds accounts for a lot of the difference with Europe when it comes to average investment returns.

Success breeds success. Well known VC brands attract top talent, the most lucrative ventures and influential limited partners to their funds. Big-name partners at VC firms can sometimes make big decisions without requiring the consensus of investment committees.

ECO-FRIENDLY

The American market's deep pools of capital encourage VCs to wait for an optimal exit – there's less pressure for premature trade sales that might generate lower returns.

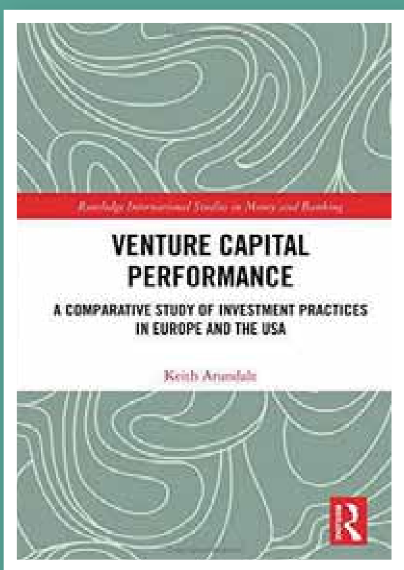
Arundale highlights a VC-friendly culture and attitude to risk in the US: "Open networks encourage information sharing and hence better knowledge of new technology developments and markets, in contrast with a more closed and proprietary approach."

I'd add that luck plays a significant part in success, of course. And many VCs and the companies they back benefit from direct public subsidies in various forms across the world – as well as substantial tax breaks.

The book was published just as COVID-19 went global. The crisis could have a big effect on how different nations co-operate and compete.

Several US VCs have in recent years set up European offices from which to source new deals. But the talent drain the other way, to California, remains a big problem for Europe. Arundale quotes the lament by Herman Hauser, co-founder of chip designer ARM and of Amadeus Capital Partners, that "the story is that the best of Britain is going to the United States to scale up".

Therefore, points out Arundale, it's probably good news that UK venture firms founded in the past 10 years have adapted many of the characteristics of the best-performing US funds. ●



Shaun Beaney works for the Corporate Finance Faculty on innovation investment, access to finance, high-growth companies and venture capital

Keith Arundale, *Venture Capital Performance: a comparative study of investment practices in Europe and the USA*, is published by Routledge

UNITED WE STAND

The number of employee-owned businesses has been increasing in recent years. How have they coped with the COVID-19 crisis? **Deb Oxley OBE**, chief executive of the Employee Ownership Association, provides an update

When it comes to employee ownership of a business, the goal is to create a culture that inspires trust between colleagues and leaders. This should enable them to quickly unite and adapt in times of crisis. Whether the business has had to hibernate, struggled to survive, innovate and pivot to new work, or has been a 'key worker' company that has thrived, employee owners unite behind a common purpose. The COVID-19 crisis has certainly tested that.

The word 'recovery' is omnipresent, but it's defined as a 'return to a normal state'. That seems some way off. Rather, in the UK we now face a period of adapting to a 'new normal' as we emerge from a complete lockdown to a conditional and managed new way of existing. Businesses owned partly or entirely by employees are still just businesses. They have the same challenges of cash flow and access to finance. Employee relationships and engagement should support their ability to adapt, innovate and flex during this crisis, and support their resilience. With a national appetite to 'build back better', employee ownership must play its part.

ACCESS TO FINANCE

With 50% of the British employee-owned sector in professional services, followed by manufacturing at about 20%, and then retail/distribution and health/social care, there have been different impacts on and responses to the COVID-19 crisis. Approximately 30% of the employee-owned workforce is furloughed, which reflects the national trend, with many smaller businesses accessing business rate relief.

After inevitable early teething problems, more Employee Ownership Association (EOA) members have had their Coronavirus Business Interruption Loan Scheme (CBILS) applications approved. Initially, demands for personal guarantees and some other conditions meant some were unable to access this money, because of their business structure. After pushing the government on behalf of employee owned businesses, who in turn pushed the banks, access to CBILS, Coronavirus Large Business Interruption Loans Scheme, the Covid Corporate Financing Facility and the Bounce Back Loan Scheme became as available to employee-owned businesses as they have been to any others.

EMPLOYEE ENGAGEMENT

Since lockdown, the EOA has run a series of weekly webinars, highlighting examples of flexible decision-making and agility. Much of the success of this type of company appears to be linked to effective communication and leadership engagement.

As the UK moves into the next chapter of this pandemic, these businesses will also rely on other characteristics of employee ownership, in particular, the commitment to employee engagement, taking a long-term view and prioritising the collective care of all employees.

One of the takeaways from a webinar in May featuring the UK's largest employee-owned business, John Lewis & Partners, was that its digital engagement during lockdown has helped deliver quicker decision-making.

Rowlinson Knitwear, a producer of schoolwear and corporate wear based in Stockport and another EOA member, responded to the crisis by moving quickly to home-working and shift-working, and engaged with all the employee owners about taking pay cuts that ranged from 50% for highest earners to 10% for those earning more than £21,000, while those earning less did not have their pay reduced.

When customers' premises closed, they then changed tack, taking the decision to furlough 75% of workers, prioritising those who were vulnerable and those who would have to use public transport. Having shown strong leadership, being open and transparent and offering mental health and wellbeing support has seen positive feedback from staff – many furloughed workers have used their time learning new skills for the future benefit of the business.

"If you do the right things in the first place, your people will trust you," says Simon Pool, founder of employee-owned Jerba Campervans, with regard to furloughing employee owners. Transparency and regular communication with employees has secured the ongoing support.

Cumbria-headquartered WCF was established in 1911 as a farmer co-operative before becoming partly employee-owned in 1988. It has a diverse range of activities employing about 300 staff across 30 locations. Two-thirds of them could not carry out duties at home when the crisis hit and lockdown began.

From the outset, the focus was on open and honest communications, including the EOA's own daily briefings that 'translated' the UK government's daily briefing from the previous evening. Safeguarding the long-term future of the business was the strategy from the beginning. That secured employee owners' understanding and support for what has been a series of difficult decisions. With the adoption of furlough and many staff being hourly paid, all workers, including those on a salary, were offered a welfare loan to top up payments to full net pay, with time to pay back and support to manage their financial position once they were back in work. These measures got the full backing of all the employees, and there was a real sense of everyone being in it together.

INNOVATE AND FLEX

Many employee-owned businesses have demonstrated the shared endeavour that defines their status. The trust needed among the workforce in their leaders to support decisions around finance or the manufacture of new products or implementing new ways of working is significant.

Many EOA members are manufacturing businesses that have pivoted to help the COVID-19 efforts. Scott Bader developed a new modifier for alcohol-based hand cleansers in just 10 days, which enabled other manufacturers to produce greater volumes of hand cleanser, and many are producing personal protective equipment. Most of the employee-owned public service mutuals have flexed to make sure their community response has freed up hospital beds.

Hull-based City Healthcare Partnership CIC worked with the local hospice to use an empty ward, and turned the whole project round in less than 10 days. Flowstore and Novograf have innovated products that help businesses create

"Many EOA members are already using the lessons of the past 10 weeks in the UK. Some are learning from their own global operations on how they can move from surviving to thriving post-COVID-19"

Deb Oxley OBE, chief executive, Employee Ownership Association

safer environments to work in, whether social distancing in warehouses and offices or easy-to-wipe surfaces in communal spaces and shops.

Many EOA members are already using the lessons of the past 10 weeks in the UK, some are learning from their own global operations on how they can move from surviving to thriving post COVID-19.

Gripple, a fast-growing manufacturer of wire joining and tensioning systems, is 100% employee owned. It has already innovated products for use in future workplaces. It is using its experiences of having people working at home and the technologies used during lockdown to fast track its strategy of a four-day working week to improve productivity and staff welfare, as well as reduce its carbon footprint.

Cosmetics giant Lush has 10% of shares held in trust for all permanent Lush employees. It is using 420 employee reps to keep colleagues up to date on the business, while many stores have had periods of closure across the globe. They have focused on servicing online sales, which have increased by 300% through the crisis. It has developed new hand care products, renegotiated high street rent and is now planning to redesign stores to give customers a safe experience when they reopen.

In the wake of this crisis, many organisations will be looking for ways to permanently build in higher levels of engagement, more appetite for innovation, and more operational and financial resilience. Based on the experience and evidence of the sector during this unprecedented period, for some the answer may well be employee ownership. ●

GETTY IMAGES

HEART OF THE MATTER

Jason Sinclair looks at M&A in the Midlands and how the region is likely to emerge from the COVID-19 crisis

There were feelings of optimism among dealmakers in the Midlands at the start of 2020, according to Satvir Bungar MBE, Birmingham-based corporate finance managing director at BDO. After a dip in M&A activity the previous year, many felt a bumper year lay ahead.

"Nobody could have predicted the impact of COVID-19 in such a short space of time," says Bungar. "We were days away from the completion of one deal, then that market became frozen overnight and their excellent business plan was instantly overturned to focus on short-term cash and leveraging the available government measures."

While some of the Midlands' strongest sectors (such as automotive and aerospace) face double uncertainty due to COVID-19 and a potential no-deal end to the Brexit transition period, Bungar says that others have been less affected. Deals involving TMT and life sciences have held up, while the Midlands' position as the centre of the country's retail warehousing and logistics supply chain has seen companies become more attractive in the crisis, with thoughts turning to long-term behaviour changes as lockdown eases.

"There's been a real divide between sectors, but businesses that are disrupting sectors by using tech are attractive," says Bungar. Along with other experts, he expects an uptick of activity in the medium term, as stalled deals are resurrected and companies seek to build resilience through extra funding. "As we come out of the situation, the strain on working capital and the need to recapitalise will become more acute," he explains. "And corporate balance sheets are going to suffer - whether because of new credit payments or reduction of government support."

Nick Gillot, a corporate finance partner at Grant Thornton in the Midlands, says statistics suggest that 90% of all M&A transactions have stalled two months into the crisis and that the impact on market activity had been profound: "Although activity remains at significantly lower levels, many businesses we speak to feel that they can see the light at the end of the tunnel from a trading perspective and that they're through the worst."

SPEAKING OF PRIVATE EQUITY…

Gurinder Sunner, head of the Business Growth Fund (BGF) in the Midlands, comes to a similar conclusion. "I categorised lockdown into three blocks," he says. "When it happened, we looked inward. We have about 40 portfolio companies in the Midlands, so it was about making sure we understood what was going on there. We then ended up in a place where we were executing on deals with businesses we already knew. In those first two stages we were not seeing anything new come to us. By mid-May a steady trickle of new conversations started happening. Most businesses began the crisis by looking inward, finding what

"There's been a real divide between sectors, but businesses that are disrupting sectors by using tech are attractive"
Satvir Bungar MBE, managing director, BDO

Above centre: the Jaguar Land-Rover team work in personal protective equipment.
Above right: The National Automotive Innovation Centre at the University of Warwick
Left: lab staff at the Queen Elizabeth Hospital Birmingham

schemes there were available to them and reducing their cash burn. Now they're starting to open their eyes to discover what post-lockdown will look like, and what they need to do to be financially strong."

Sunner says that the BGF, which is a member of the Corporate Finance Faculty, is in a unique position as a long-term investor, with flexibility of cheque size and debt. He sees his competitors as being traditional private equity, venture capital and senior debt.

"But our biggest competitor is businesses 'doing nothing' – where companies are keeping the status quo and growing at 5% rather than 15% and not taking the next step," he argues. "I think the current situation might change the 'do nothing' mindset, because there could be a nervousness that if anything like this happens in the future, it would be hugely beneficial to have an extra partner sitting around the table who has deep pockets and brings the benefit of looking at this situation across such a wide portfolio, so they don't have to figure out problems by themselves. If we can turn that 'do nothing' mentality into 'do something', we'll have some pretty good dealflow.

"Lots of traditional private equity players will be taking a slightly different view to us, and the debt markets will be not as prevalent or open as they have been for the last few years." Ultimately this means it's more difficult for them to do deals.

Other houses with large footprints in the Midlands include LDC (which has a 30-year presence in

"Many businesses we speak to feel that they can see a light at the end of the tunnel"

Nick Gillott, corporate finance partner, Grant Thornton

ICAEW IN THE MIDLANDS

Sophie Dale-Black, ICAEW's regional director for the Midlands, has been working overtime (from home, of course) to keep local members connected both to the Institute's expertise and their own networks and potential clients.

"People might want to pivot their business models and think about cash flow. We are working hard to connect chambers of commerce and local businesses to our members' advice service," she says. "The message needs to get out that chartered accountants are here to support the recovery."

ICAEW is bringing together new virtual member groups to support local, connected communities. A greater geographic spread than has been possible for physical events, with "virtual activity eliminating the distance issue", as Dale-Black says. Dale-Black has also worked closely with the Corporate Finance Faculty, which has many members in the Midlands.

"We're being as agile as we can to make sure members have the opportunity to meet and discuss key topics and to get all the support they can from ICAEW. We want to increase member engagement by increasing the geographic coverage with, for example, virtual groups in Nottingham, Derby and Lincoln, focusing on sole practitioners who might not otherwise have the network to ask for advice."

Social media, tailored emails, expert webinars and dedicated breakout groups are among the tools being used. "With large webinars, it's hard to have discussions around the content, and breakout local groups are a great forum for doing that and making the most out of the wider resources," Dale-Black explains. "Feedback from members shows they don't want to see these virtual sessions as purely short term. They're not just a response to COVID-19, it's what we should be doing anyway."

ALAMY, GETTY IMAGES

Birmingham and Nottingham), Palatine, NorthEdge and Equistone.

Neil Meredith, head of corporate finance at EY in the Midlands, says: “We continue to have conversations with private equity investors about acquisition opportunities, in particular for their portfolio businesses. We believe that there may be opportunities to acquire good businesses at more attractive prices than would have been the case six months ago. Also, corporate carve-out transactions are continuing, where sellers’ primary focus is to achieve an exit, even if this means a compromise on value.

“Private equity is likely to be more cautious over the next 6-12 months as we see how the market reacts to the post-COVID-19 situation and moves into recovery. We will need to assess the trading environment then, to get a sense of how sustainable each business is and how it will grow post COVID-19. While private equity will be circumspect, we still believe deals will happen. We recently exchanged contracts on a sizeable private equity deal where the investors were able to assess the transaction risks and get comfortable, demonstrating that deals can still happen in difficult times.”

SELF-SUFFICIENT

Meredith sees the strength of the Midlands corporate finance community as a further route to generate deals over the next year: “There’s a pretty self-sufficient and vibrant adviser and funding market in Birmingham and the Midlands that will help drive and support deal activity post-crisis.”

Having great relationships with a strong network of professionals in the area is vital to dealmaking, says Bungar. “I’ve always known you can have sensible conversations and get views quickly here, thanks to longstanding relationships. On transactions where I have a say in which corporate lawyer we use, for example, I try to leverage the relationships I have - partly for working with individuals you trust. Those relationships are going to be even more important as we emerge from the COVID-19 situation.”

Sarah Taylor, a corporate finance partner at PwC with experience across the regions, categorises the Midlands community as “good - maybe not as collegiate as other regions like the North, and proximity to London means it’s not quite as self-contained - but in the COVID-19 crisis people have checked up on and looked out for each other”.

Sunner sees the region as “a bit of both” when asked if the community is collegiate or competitive. “There’s definitely a community that helps each other, and there are people on the periphery who are more competitive. We’d love more private equity houses here to be open for business in the Midlands, because that creates a mindset and a flow for the adviser base to think about equity as an option rather than debt. The more people we have - up to a point - the better. We have very good relationships with the others who have a local presence, and I think that’s the same with the adviser base. It’s worth us all being nice to each other.” ●

THE POTTERIES

In March, the BGF invested £8m in Stoke-based manufacturer Emma Bridgewater. The BGF’s head of the Midlands Gurinder Sunner described the company (pictured above) as a quintessential British brand with “great e-commerce presence and international potential”.

Founded in 1984, Emma Bridgewater designs and manufactures hand-decorated pottery and a wide selection of home products. Products are handmade in a renovated 19th century factory in Stoke-on-Trent, in the heart of the historic Potteries. Annual revenues have grown to more than £20m in 2019 with EBITDA of over £2m. As part of the deal, HSBC has also committed a £2.5m debt facility, which, together with BGF’s £8m investment, will support Emma Bridgewater’s continued growth in the UK, increasing capacity at its Staffordshire factory and allowing for exploration of international markets such as the US and China.

The BGF used Freeths as legal advisers and Mazars for tax. Lexington Corporate Finance worked on the deal. Michelmores provided legal advice and Bishop Fleming tax advice for Emma Bridgewater. As part of the deal, the BGF introduced Colin Porter, former CEO of Joules, as non-executive chair.

“The more people we have, the better. It’s worth us all being nice to each other”

Gurinder Sunner, head of Midlands, BGF

“There’s a pretty self-sufficient and vibrant adviser and funding market in the Midlands”

Neil Meredith, head of corporate finance, EY

“In the COVID-19 crisis people have checked up on and looked out for each other”

Sarah Taylor, corporate finance partner, PwC

Right: Tata Technologies, Royal Leamington Spa

DESIRE PATHS

WORLD TRAVELLER: FEATHERSTONE HAS WORKED IN COUNTRIES SUCH AS HONG KONG AND PAKISTAN

Steph Featherstone, an M&A lawyer at Simmons & Simmons, talks to Jo Russell about her career and partnership ambitions

HOW DID YOU GET INTO CORPORATE LAW?

After studying law at Cambridge, I did a vacation scheme at Linklaters and a mini pupillage at the criminal bar. I was set on being a barrister, but the criminal bar is difficult unless you have a lot of money behind you.

I joined Linklaters in 2010 and started in its corporate law team for the first part of my training contract. I really enjoyed the buzz of transactions and being client-facing. For the last part of my training contract, I was seconded to the corporate team in Hong Kong. I did a lot of public markets work and was quite involved as the team was smaller. It was a fantastic experience. I then returned to the corporate team in London.

YOU ALSO WORKED FOR AN IN-HOUSE M&A TEAM?

I was seconded to the M&A legal team at Novartis in Basel, Switzerland. I was supporting the in-house team on a multibillion dollar portfolio transformation and focused on the over-the-counter joint venture with GSK. I was less than three years qualified when I was seconded. It was really challenging work in a high-pressure environment, but it was a once-in-a-generation series of deals and was an amazing experience.

The head of legal M&A said he wasn't sure I had "enough grey hairs" for the role, but when I left he rang to tell me I'd proved him wrong, which was gratifying.

There's a different skill to being an in-house M&A lawyer. You have to be across all practice areas, and work with the business. I prefer being an expert in M&A and supporting clients with that specialism, rather than being a generalist.

WHAT'S YOUR CURRENT ROLE?

I moved from Linklaters to the Bristol office of Simmons & Simmons in September 2015. Currently, I'm a senior managing associate and I aspire to be promoted to partner in the near term. M&A is my core practice area and about 80% of what I do. Simmons was looking at establishing a corporate practice here. It was quite a risky move at the time, as the office wasn't fully established, and there were just two partners.

WHAT KEY LESSONS HAVE YOU LEARNED THROUGHOUT YOUR CAREER?

At Linklaters I acted for the Electricity Supply Board of Ireland, which was selling power stations across Europe to raise money for a government-backed dividend. On one deal, there was a senior associate on the other side who was very collaborative – this made the deal so productive. I learned that by collaborating you could make the deal more efficient for everyone, while still acting in the best interests of your client.

I also co-led the negotiation for a telecoms company acquiring a business in Pakistan, which involved multiple rounds of negotiations in Islamabad. Aside from being the only female on the legal team, I found their way of operating quite aggressive. But I stayed calm, assertive and measured, which paid dividends – people listened. It taught me there is merit in sticking to your own style.

There's a different skill to being an in-house M&A lawyer. You have to be across all practice areas, and work with the business

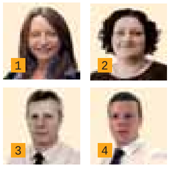
WHAT WAS YOUR MOST RECENT DEAL?

The acquisition of TI media, the UK legacy business of Time Inc, on behalf of Future Plc. Although signed in October 2019, the deal didn't complete until late April 2020 when competition clearance came through. During that time, COVID-19 had a significant impact on market conditions, which made things challenging. We had to work our way through the implications for both Future and the target business, in the context of a contract signed when the pandemic was not anticipated.

WHAT ARE YOUR AMBITIONS?

I would like to make partner, of course, once we get through this crisis. At Simmons & Simmons we have one UK corporate M&A practice with people sitting across the UK, but COVID-19 will change the way we work. I've spent a lot of time travelling to and from London in particular. Perhaps using technology means that where you are based won't make such a difference. ●

CONNECTIONS



Philippa Robinson (1) has joined **Quantuma** as director in its corporate finance team in Southampton. Robinson trained as an ACA at KPMG before joining its corporate finance team. With more than 20 years' experience, she has also worked for DHD Corporate Finance, Meridian Corporate Finance, CW Fellowes, WK Corporate Finance and finnCap – all as corporate finance director. In 2018, Robinson set up the M&A advisory firm Charlton Illingworth.

Quantuma has also promoted head of marketing Marie Wadeson (2) and restructuring specialist Simon Campbell (3) to partner. Wadeson joined from FRP in 2016, having previously worked for Mazars. Campbell joined from Begbies Traynor in 2016, having worked for Grant Thornton and Kroll.

Darren Mason (4) has joined as restructuring partner and head of pensions advisory in London, from Ross Trustees, where he was CFO. He was previously a partner in restructuring and pensions advisory at Grant Thornton, and before that worked at RBS and PwC.

Kiren Asad has been promoted to director at **Deloitte**, having joined as associate director in March 2019 from London-based investment bank Strata Partners. In 2016 she was presented with the outstanding achievement award given to the top-performing student in the ICAEW's Diploma for Corporate Finance. Before joining Strata, she worked for KPMG in Pakistan.

Business secretary Alok Sharma has announced nine appointments to the **Competition & Markets Authority** panel, including Crispin Wright, a former director general of the Takeover panel from 2015 to 2018. Prior to that, Wright had a 33-year career in M&A as an investment banker with Rothschild, Deutsche Bank and Morgan Grenfell.

There are 30 panel members in total and they are appointed for a period of up to eight years. They run merger and market inquiries that have been referred for investigation and make decisions on regulatory appeals on price controls or terms of licences. They are appointed based on 'experience, ability and diversity of skills in competition economics, law, finance and business'.

The other new appointments are: Jo Armstrong; Margot Daly; Ashleye Gunn; Jennie Holloway; Frances McLeman; Cyrus Mehta; Sir Kenneth Parker and Stephen Rose.

Armstrong is a business economist and corporate financier and has worked in financial services (with RBS), oil and gas (with BP) and the Scottish government.

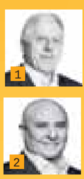
Holloway co-founded The Growth Stage in 2018, which introduces entrepreneurs to advisers and investors. She also co-founded Ekta Partners, which raises finance for private businesses addressing environmental and social challenges through technology and innovation. Holloway worked in investment banking for 15 years, until 2018, running Goldman Sachs' alternative equity capital markets in EMEA team, and prior to that in equity capital markets at HSBC.

McLeman is a former corporate partner at Berwin Leighton Paisner (now Bryan Cave Leighton Paisner) and was head of Lloyds Banking Group's

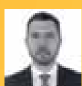
PE SHORTS

Tristan Craddock has joined **Palatine Private Equity** as a partner in its investment team in the south of England. The team identifies investment opportunities for the private equity firm's £100m Impact Fund, which was launched in 2017. He has joined from Rutland Partners, where he was a partner. Prior to that, Craddock worked in transaction advisory at EY.

Alex Read has joined **VGC Partners** as new investment director from Alantra in London, where he was origination associate. He started his career at Tullow Oil as an associate.

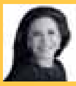


Keensight Capital has recruited Dr Edwin Moses (1) and José Luis Martín (2) as operating partners in Belgium and Spain respectively. Moses is a biopharma entrepreneur, and Martín was responsible for the development and implementation of corporate strategy at Werfen.

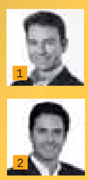


SwanCap Partners, headquartered in Munich, has hired Ingo Stoff as an investment director. He previously worked for Allianz Capital Partners.

Sovereign Capital has recruited Charles Rossetti as an investment director in London, from MPE Partners in Boston.



Preferred equity provider **17Capital** has recruited Dee Dee Sklar as a senior adviser in New York from Cerebrus Capital Management.



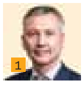
Miura Private Equity in Madrid has promoted Jordi Alegre Sala (1) to managing partner and Fernando Clúa (2) to partner. Sala joined the firm in 2007 from Mercapital, having previously worked for Morgan Stanley in London. Clua joined in 2015, having worked for Advent International and Deloitte in London.

Tikehau Capital has recruited Domenico Paglia (1), Edoardo Girelli (2) and Damiano Pedergnani (3) to its Italian investment team corporate and M&A legal team. Mehta is former head of the EU and competition team at CMS Cameron McKenna Nabarro Olswang. Rose is a competition lawyer, who was previously a partner at Slaughter & May and Eversheds Sutherland.

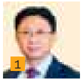
Glenn Souter has joined **Aldermore** as a business development manager in its invoice finance team for London and the South East, from Close Brothers. He previously worked for Hitachi Capital and HSBC.

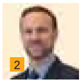
Alex Patey has joined **Spectrum Corporate Finance** as a lead advisory director in London from BDO. He qualified as an ACA in 2012 while working at BDO as a corporate finance executive. He joined Clearwater International in 2013 as an assistant director before re-joining BDO as director focused on the lifestyle and wellbeing sector.

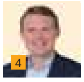
Rob Armstrong has joined **Duff & Phelps** as a managing director in its global restructuring practice in London, from RSM's special investigations team. He has previously worked for Baker Tilly, Deloitte and Wilkins Kennedy.



Jens Lindqvist (1) and Brough Ransom (2) have joined **Investec** Investment Banking & Securities from N+1 Singer, where they worked in healthcare sector research and sales respectively. Lindqvist is a fully qualified medical doctor from Karolinska Institute in Sweden with 20 years' capital markets experience in London. Ransom previously worked for Merrill Lynch, ING and Nomura.







DC Advisory has promoted Endong Zhai (1) to managing director in its London-based Asia Access team. He leads China-related deal originations and execution. He joined DC from Deloitte in 2014. Andreas Kulcsar (2), has been promoted to executive director in the corporate finance team. He specialises in the consumer, leisure and retail sectors and previously held corporate finance advisory roles at Lincoln International in Frankfurt and Madrid, and at Commerzbank in Frankfurt and London.

The firm has recruited Andrew Congleton as managing director in its infrastructure team, from RBC Capital Markets, where he was managing director for over four years. Prior to that he spent eight years at Deutsche Bank after roles at Merrill Lynch and Lazard.

Phillip Hyman (3) has been promoted to managing director in the London infrastructure team. He joined DC from HSBC in 2016 and prior to that worked at RBS. In the Frankfurt infrastructure team DC has promoted Moritz Müller (4) to managing director. Müller previously worked in the infrastructure M&A teams of Dresdner Kleinwort and Commerzbank.

Independent Growth Finance (IGF) has promoted Mike Fletcher to head of client portfolio. He joined IGF in 2017 as ABL director in London from Chesney's, where he had been a contract manager. He previously worked for Shawbrook Business Credit.

TheCityUK has appointed Emma Reynolds, the former Labour MP for Wolverhampton North East, as managing director for public affairs, policy and research. She was formerly shadow secretary of state for communities and local government, shadow minister (housing) and shadow minister (foreign and Commonwealth affairs).

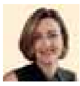
based in Milan, from Rothschild, Intermonte and Goldman Sachs respectively.

Paris-based investment management firm **Andera Partners** has recruited Constance Jay as director of investor relations, from Argos Wityu, where she spent 11 years. Prior to that she spent three years at Acanthus Advisers in London.

Anne Niederstaetter has joined **Keyhaven Capital** as partner in its investment team, from JP Morgan. Niederstaetter is responsible for leading the lower mid-market secondaries investor's due diligence process. She is also a member of the firm's investment committee.

The firm has also recruited Alma Lawrie to its investor relations team. She was previously a project consultant at Level20, the not-for-profit organisation set up to increase gender diversity in European private equity.

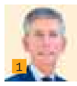
LEGAL BRIEFS

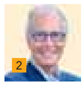


Deloitte Legal has appointed Emily Foges, former CEO of legal AI company Luminance Technologies, as lead partner for its legal managed service business. Foges previously worked for Equifax and Betfair.

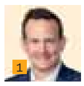
Dentons has promoted Faye Garvey to corporate partner in its Milton Keynes office. She has particular experience in the W&I insurance sector and works closely with the Dentons Automotive team in relation to credit facilities for UK motor dealers. She joined Dentons in 2011 from Kimbells (now Freeths), where she trained as a lawyer.

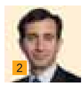
McDermott Will & Emery has hired Mark Fine (1) and Aymen Mahmoud (2) as partners in its London-based debt financing advisory team, from Wilkie Farr & Gallagher.





Patrick Corr (1) has joined **Faegre Drinker's** finance and restructuring practice in London as partner, from Sidley. And in the US James F Conlan (2) has also joined the finance and restructuring practice.





Morgan Lewis has recruited Rob Mailer (1) and Oliver Rochman (2), from Morrison & Foerster, as partners in its private funds team.

ON MY CV

FROM THE GROUND UP

Completing a deal during lockdown was possible thanks to technology, a collaborative approach and motivated parties, says Grant Thornton's **Jon Stubbings**

LEGAL & GENERAL CAPITAL INVESTMENTS TOOK A 36% STAKE IN THE KENSA GROUP IN APRIL 2020

WHAT IS THE DEAL?
Legal & General Capital Investments (LGC) acquired a 36% stake in The Kensa Group, one of the UK's largest ground source heat pump technology businesses. It was completed in April 2020. Truro-based Kensa (founded in 1999) manufactures highly efficient and compact pumps eligible for the UK government's Renewable Heat Incentive and works with housing developers to design and install sustainable and efficient heating systems. Its turnover this year will be about £13m.

WHAT WAS YOUR ROLE?
I led Grant Thornton's financial due diligence team, which was working for LGC. We also provided them with tax due diligence, advice around the enterprise-value-to-equity-value bridge, sale-and-purchase agreement advice and assistance on financial modelling.

AND THE OTHER ADVISERS?
Slaughter & May were LGC's legal advisers. Kensa used Tozers on the legal side and PKF Francis Clark on the financial side. Kensa's CFO Mel Adderley was heavily involved.

WHAT WERE THE TIMESCALES?
Financial due diligence began at the end of February 2020. LGC and the vendors were keen to complete the deal by the end of March, which was challenging. It became even more challenging as the COVID-19 situation intensified. The deal completed in the first week of April – two weeks into lockdown. We were on site for the start of March, which was very productive, and then worked remotely. There were videoconference calls with the client and online team meetings to make sure all ideas were being bounced around. I led a team of four, writing the due diligence report. If we hadn't had the access at the start, it would have been even more challenging.

THE CV

Jon Stubbings is a transaction advisory services director at Grant Thornton. He joined the firm in 2006, after qualifying as ACA with Peters Elworthy & Moore. His focus is on TMT and private equity. He is also a member of the *Corporate Financier* editorial panel and contributed to the *AI in Corporate Advisory* report published by the ICAEW in 2019 (co-authored by Corporate Finance Faculty manager Shaun Beaney).

Recent deals

- Sony on its investment in Whisper Films in February 2020.
- Legal & General on its investment in Pod Point in March 2019.
- Hargreaves Lansdown on the sale of FundsLibrary to Broadridge Financial Solutions in the US in January 2020.

WHAT WAS LGC'S STRATEGY?
LGC invests long-term capital into the evolving landscape of the energy sector in order to mature technologies, accelerate progress in the low-cost, low-carbon economy and reduce the cost of energy for consumers. LGC's investment in Kensa complemented its existing clean energy portfolio. Heating homes and providing hot water contribute towards 25% of total energy use and 15% of greenhouse emissions. By 2025, the current UK consultation on new building regulations will likely outlaw fossil fuel systems in newbuilds. Retrofitting gas and other fossil fuel systems in older homes represents a significant market opportunity.

WHAT WERE THE CHALLENGES?
We had to manage the due diligence in line with the requirements of the business, and clearly the management team was increasingly preoccupied through such a turbulent period. While perfect datasets are nice, they rarely occur in practice – we had to be pragmatic and work with the data that existed in the business.

WERE ANY LESSONS LEARNED?
Commitment and collaboration were essential in completing the deal without compromising on quality. We had to work around management's day-to-day responsibilities, while addressing the areas our client needed to focus on. ●