



Acquisition Focus

www.paceequity.com

INSIDE THIS ISSUE...

Mid-Market M&A Outlook	2
Companies for Sale	3
Is your Company Sale-Ready?	4
Successful Acquisitions	4
Acquisitions Sought	5
Tax Issues to Consider ahead of a Share Sale	6
Pace Equity Expands Team	7
Are your Accounts Ready for an Investor or Buyer?	7
Top 10 Tips: What Acquirers Value	8
Funding Sought	8

Prepared for Sale?

A close-up photograph of several hands holding white puzzle pieces, symbolizing business acquisition or sale. The background is blurred, showing people in business attire.

Summer 2013

See inside, for full M&A opportunities and articles



24 years in business, advising mid-market companies through all aspects of M&A and business development, change and rescue including:

- Company Sales
- Company Acquisitions
- Corporate Valuations
- Corporate Fundraising
- Exit Strategy
- MBOs
- Turnarounds
- Consolidations
- Corporate Strategy
- Market Intelligence

Our team consists of experienced practitioners, both as company directors and as advisers, backed up by a powerful research capability and unrivalled market reach.

To discuss any aspect of mergers and acquisitions please contact Joel Penrose at Pace Equity.

T: 01491 577889

E: joelpenrose@paceequity.com

Pace Equity Ltd

Blandy House
29 Hart Street
Henley-on-Thames
Oxfordshire
RG9 2AR

T: 01491 577889

F: 01491 574488

E: directors@paceequity.com

W: www.paceequity.com



Mid-Market M&A Outlook

Corporate risk appetite is rising across the UK in both large companies and small. In a recent Deloitte survey of CFOs in the country's largest companies, business confidence rose significantly during the first quarter of 2013, while a survey of 7,300 respondents to the British Chamber of Commerce members (typically companies with less than 200 employees) shows rising exports and UK sales in the first quarter were buoyant. These findings are the latest indication that optimism in British business is rising, albeit cautiously.

In support of this rising confidence, a number of important drivers point to growing M&A activity in the UK mid-market this year:

- CEOs recognise that M&A activity is vital to counter sluggish organic growth from traditional western markets
- Shareholder pressure is mounting on management to apply strong balance sheets to M&A
- Ample liquidity in both the bond and loan markets support a rising M&A drive
- Abundant capital fire-power within Family Offices, Hedge Funds and Private Equity
- A pent up demand from vendors who have been sitting on their hands for 5 long years
- Valuations in many sectors are now within acceptable limits to both buyers and sellers
- Public and private company boards are under pressure to exit underperforming assets and improve overall company performance
- Visibly growing M&A activity in the USA, particularly Silicon Valley, will spill over into the UK

During the first quarter of 2013, M&A activity in the mid-market has clearly reacted to these drivers and is picking up, particularly in the stronger performing Services sectors such as IT, Data and Digital Services. Over the past quarter, Pace Equity has seen a surge in M&A interest from mid-market buyers while shareholders now recognise that prices being realised in the market are worth serious consideration.

If you would like to discuss any aspect of this article, please contact Ken Graham at Pace Equity:

T: 01491 577889 E: kengraham@paceequity.com



Companies for Sale

The opportunities listed below reflect requirements from specific clients; Pace Equity is also in discussion with a number of additional companies from various sectors that are preparing for sale.

■ **Display Frame Supplier** Ref. P7310

Established & profitable trade only supplier of B2B display frames & associated products. Turnover £1.1m with strong margins. Long standing relationships with Far Eastern suppliers and a good stable customer base. The company could either be operated as a standalone or would make an excellent acquisition for a company with spare capacity. Retirement sale.

■ **Architectural Practice** Ref. P7289

Award winning, long standing architectural practice with excellent reputation for high quality work. Retirement sale with second tier management in place. £2m turnover, based in the South East.

■ **Document Management, IT & Telecoms Service Business** Ref. P7235

Profitable €17m turnover business headquartered in Paris, offering services across Europe to blue chip clients in the Aerospace, Defence, Railway, Telecoms and Energy sectors. Renowned for its design, development and implementation services in real-time and embedded IT & Telecoms systems and for its capabilities in the creation and execution of document management systems. Also provides Risk Management, Training and IT Project Management consultancy services.

■ **International Events Business** Ref. P7292

Pace Equity is delighted to announce that over the next month we will be bringing to market an exciting, highly profitable and rapidly growing international Events business. The company designs, installs and manages exhibitions and events for blue-chip clients all over the world. It has built an enviable reputation and high-profile brand under a dynamic management team who are keen to remain with the business. Interested companies from Events Management, Advertising, Marketing, Professional Services, Media and Hospitality or Private Equity already invested in this sector, are invited to register their interest to secure an early position.

■ **Construction Equipment Distributor** Ref. P7300

Leading distributor of small construction equipment with substantial service offering including parts, warranty, breakdown and maintenance. Turnover £5.6m with excellent growth prospects. The company has a strong reputation within the market and long standing contracts. Based in the South East.

■ **Confidential Mandates**

Pace Equity is undertaking highly confidential company sales mandates which are not being widely marketed in the following sectors:

- Recruitment
- Property
- Catering
- Global Media Services

If you are interested in opportunities within these sectors and would like to discuss these opportunities under strict confidentiality undertakings, please call Ken Graham at 01491 577889 or e-mail at kengraham@paceequity.com

■ **Transport Infrastructure Consultancy** Ref. P7299

Profitable transport infrastructure consultancy operating within a niche market, turnover circa £2m with excellent growth prospects. The company operates predominantly overseas, consulting on technical assistance, feasibility, strategic planning, evaluation and management within the transport infrastructure sector. Based in the South East.

■ **Recruitment Businesses** Ref. P7094

During the course of a recent search project, Pace Equity has met with a range of specialist recruitment businesses which would be open to offer for sale to complementary or similar businesses. If your organisation is a growing, dynamic and visionary business that might be seeking to either add recruitment services to your portfolio or buy a specialist recruitment operator in this fast-moving market, please contact Pace Equity for preliminary discussions.

T: 01491 577889

E: directors@paceequity.com

W: www.paceequity.com

Company Valuations

Whether you are considering raising funds to grow your company, understanding the value after a surprise offer, assessing values before/after a potential acquisition or planning a sale, you will need to place an accurate value on your company. At Pace Equity we are skilled at carrying out objective, market-related corporate valuations.

Our Approach to Valuations

The Pace Equity valuation service utilises a number of business, financial and market analysis methodologies, and a range of valuation techniques appropriate to your industry and your specific business. Following our analysis, we produce a detailed valuation report in which we review the attributes of the business and provide a range of values that can be used for the purposes required.

T: 01491 577889

E: mjp@paceequity.com



Is your Company Sale-Ready?

If you had a surprise, unsolicited approach today to buy or invest in your business – would your company be in a position to get the best possible price for the shares? The honest answer to this question from most CEOs and CFOs is – no! We all know that there are things that need fixing or need attention in our businesses. We all live in hope that next year will be better than this year. We all work to try to build the value of the business over time – but when is that time? The fact is that we are being called upon far more frequently these days to put a value on the shares, even if we are not selling the business!

Let's list briefly, just a few of those instances when we might need to value the shares in a growing company:

- When planning a share option scheme
- When bringing in new C-level or D-level management
- When planning to take in new investment
- When planning a merger or acquisition programme
- If planning an IPO
- When considering an unsolicited approach
- And of course, most importantly – when planning a sale of all or part of the business

Alarming, because companies are so often not being managed to optimise share value on a regular basis, shareholders are at risk of underselling the equity at many stages throughout the development of their businesses. Keeping a constant watch on share value is a key management responsibility – not just for

listed companies, but vital for private companies as well, because you never know when that approach might come. Our Top 10 Tips listed in this publication set the scene for where buyers generally see value in a growing business and this is a good starting guide for most private companies. But, if you have an impending event such as any of those listed to the left, being prepared to plan and invest in taking the right steps to eliminate the value destroying issues in the business can reap significant gains for the shareholders – and it usually takes less time and effort than you might think!

If you would like to learn more on this topic, please see our website at www.paceequity.com/sale-ready or call us for a friendly no commitment discussion.

T: 01491 577889
E: kengraham@paceequity.com



Successful Acquisitions

Acquisitions can be one of the most effective ways of growing a successful business. But, acquisitions are not without risks, what can be done to increase the success rate of acquisitions and enhance shareholder value?

It is vital to have a clear understanding of where your business is going and what part acquisitions can play in its development. A clear understanding of the rationale for acquisition will help the definition of potential targets and more importantly, identify what is not appropriate.

Devote time and energy to thoroughly searching for appropriate candidates. This means that options are more widely spread, which provide opportunities to negotiate with more than one company, thereby creating a more viable negotiating base and greatly enhancing the chances of finding a business that is the right strategic fit.

Ensure that sufficient ground work is covered prior to signing Heads of Agreement. Heads is the blueprint for the deal going forward and it will be difficult to change the terms without a very good reason. Always undertake thorough due diligence following heads, but make sure that it is proportionate to the deal and is carefully managed – having the right advisors in place will make a significant difference.

Remember that completing the transaction is only the beginning, effective post acquisition management will be vital for success.

To discuss your acquisition requirements please contact Joel Penrose:

T: 01491 577889
E: joelpenrose@paceequity.com





Acquisitions Sought

The opportunities listed below reflect requirements from specific clients; Pace Equity also has contact with a large number of companies that are looking for acquisitions across a wide range of industries.

- Organic Food Products** **Ref. P7317**

Large distributor of healthy food products seeks to acquire organic food manufacturers or distributors with own product line ideally focusing on children's market. Ideal candidates will have revenues between £3m-£10m; profitability preferred but not essential.
- Niche Business Services** **Ref. P7334**

Rapidly growing international group seeks value-adding acquisitions in Media, Marketing, Services, Logistics, Healthcare or Technology. Businesses must have annual operating profits in excess of £200k and revenues of between £10m-£50m. Businesses must have a clear niche, ideally dominant in the sector and must have robust operational management.
- Oil & Gas Technology Businesses** **Ref. P7337**

Global company that supplies innovative high-tech products and solutions to the oil & gas sector seeks strategic acquisitions across new markets and geographies. Companies of interest will provide unique technology solutions to a customer base that should include large oil & gas companies. Turnovers up to £200m with companies located in the US & UK of particular interest.
- Food Ingredients Manufacturer or Distributor** **Ref. P7318**

Large international Food Ingredients Company headquartered in London seeks to acquire Food & Drink Manufacturer or Distributor with sales between £5m-£20m. Ideal companies should operate B2B in preferably packing, blending, chemical and flavourings markets. Distressed opportunities are of particular interest.
- Industrial Electronic Solutions** **Ref. P7335**

Mid-size European-based industrial group seeks acquisitions in the UK in the Transportation, Aeronautics, Space and Energy sectors. The business designs, develops and delivers mission-critical electronic solutions for its customers acting as software developers, systems integrators and/or service providers. Ideal candidates would be profitable businesses in the £10m-£50m revenue range with links in Germany (optional), providing similar services to similar or complementary industries.
- Electrical, Environmental/Networking** **Ref. P7125**

Leading global manufacturer and distributor of high-power connection solutions, environmental monitoring and measurement devices, hand tools and other mechanical and electrical measurement products is looking for bolt-on acquisitions to build its European operations. Profitable businesses of £5m+ turnover would be suitable candidates. Retirement sales considered.
- IT Services Businesses** **Ref. P7206**

Successful IT Services Group seeks to acquire businesses providing managed services, hosting, support, infrastructure management, disaster recovery and other related activities. Ideal businesses should turnover between £500k to £3m, include an element of contracted revenues and be located close to or within the M25.
- Utility Consultancies** **Ref. P7309**

Large Energy Company is seeking bolt on acquisitions of £1m-£3m Energy Management Consultancies. Companies of particular interest will provide energy efficiency services including audits and monitoring to industrial and corporate clients.
- Network/Cloud Delivery Services** **Ref. P7096**

Well-funded International reseller of next generation network services is looking to acquire £5m to £50m revenue, European based businesses with positive EBITDA. Target activities include: Datacentre operators, Application/Internet Service Providers, VoIP, Managed Security, Value Added Services, System Integrators, Video Conferencing and Network operators.
- Electrical Distribution Business** **Ref. P7278**

Growing, dynamic distributor of parts, accessories and consumables for the wider IT and Communications industries is keen to purchase or invest in small distribution companies with allied or complementary products that would benefit from substantial warehouse capacity, excellent systems and back-office support. Turnover £2m-£3m. London and South East.
- Secure Managed Hosting/Datacentre** **Ref. P7266**

Established, profitable business providing secure managed hosting, colocation and IT outsourcing from within secure data centres. Target opportunities include complementary managed services companies with a turnover of between £2m-£5m. Preferably M3/M4 corridor/South East. Should be profitable, but not essential.
- Data Infrastructure & Networking Supplies** **Ref. P7115**

One of the world's largest providers of data infrastructure, voice communications and networking supplies seeks synergistic acquisitions across Europe. Target opportunities include profitable product or service companies operating in their 3 key sectors that would add value to current operations. Ideal companies will have £10m+ Turnover and EBITDA of £1m+. Smaller niche businesses in new product/service areas considered.
- Payment Solutions Business** **Ref. P7246**

One of the world's leading companies offering comprehensive solutions for payment systems in Retail, Banking and other financial transaction services is seeking to acquire businesses or technology in fixed or mobile payment products, systems, solutions or services. Funds are available for acquisitions or investments up to £100m.
- Electronics Manufacturers** **Ref. P7320**

Growing, global, dynamic, group specialising in the manufacture and supply of electronic components for a range of traditional and technology-led industries is seeking bolt-on and mid-sized acquisitions in the UK, European, Asian and US markets. Ideal acquisition targets would be profitable companies with revenues exceeding £10m, however smaller companies with niche technologies would be carefully considered.
- Network Services** **Ref. P7332**

Highly acquisitive global network services group providing a comprehensive range of services to network owners and users seeks profitable acquisitions in the UK or Europe of £10m-£200m revenues. Candidates should provide complementary or niche services in network related arenas including Data, Voice, Video, Managed Services, Cloud and IT Services, Security and Infrastructure.

T: 01491 577889
E: directors@paceequity.com
W: www.paceequity.com



Acquisitions Sought Continued...

Technology and Scientific Solutions

Ref. P6882

Growing consulting business £15m+ T/O seeks bolt on acquisitions of specialist consulting or technology services that offer unique solutions to business and public sector organisations. Areas of interest include software, IT, infrastructure, technology and project management. Target sectors include aerospace, defence, pharma and energy. Highly qualified workforce is essential. Businesses with revenues up to £5m required.

Hi-Tech Engineering and Consulting

Ref. P7294

Large international group that develops Engineering and IT solutions for complex problems in Aerospace, Automotive, Insurance, Banking, Infrastructure, Life Sciences, IT & Telecoms, seeks similar or complementary businesses in the UK. Profitable companies of between £10m-£50m revenues would be ideal candidates.

International Courier Business

Ref. P7259

One of the UK's leading independent Couriers is seeking bolt on businesses for geographic expansion. Ideal locations are Thames Valley/South Coast or East Midlands. Turnover up to £5m.

IT Communications Products and Software

Ref. P7329

Growing, dynamic IT communications product & software Company seeks complementary acquisitions across multiple sectors including Retail, Hospitality, Healthcare and Education. Companies of interest will provide content management, hosting or managed services and have an established customer base. Targets of particular interest will present a substantial opportunity to leverage innovative hardware and software to an existing customer base.

Engineering/Manufacturing Investment

Ref. P7254

Management buy-in candidate with significant industry experience and financial backing seeks investments in Engineering or Manufacturing businesses. Ideal candidates would be companies in the range of £5m-£20m revenues that recognise the need for a fresh approach to marketing and/or financial management and are seeking a hands-on partner that can add significant experience and value.

T: 01491 577889

E: directors@paceequity.com

W: www.paceequity.com



Tax Issues to Consider ahead of a Share Sale

This article focusses on the sale of privately held UK companies by UK tax resident individuals only.

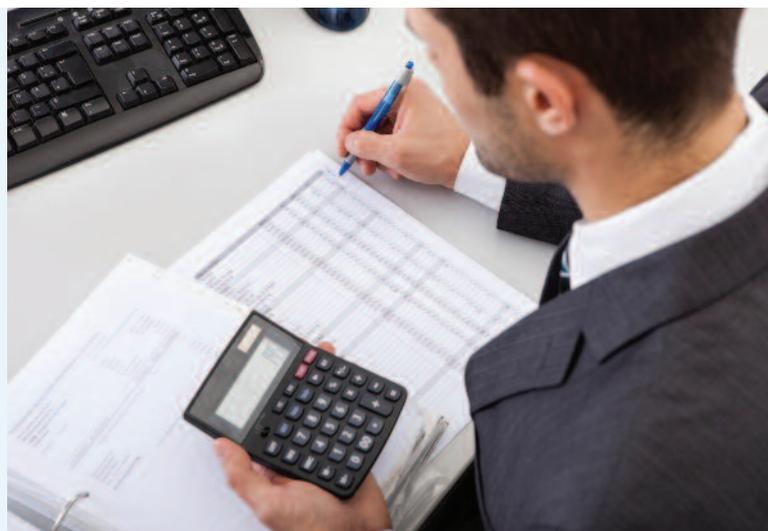
Capital gains tax (CGT)

The headline rate of capital gains tax in the UK is 28% for a higher rate taxpayer. However:

- Individuals have an annual CGT exemption of £10,900 (2013/14). If you are married, it may be possible to gift some shares in the company to your spouse to make use of their annual exemption on a sale.
- There is a 10% CGT rate for individuals qualifying for Entrepreneurs Relief (ER). This is available to shareholders who meet the following conditions for at least a year up to the date of sale:
 - They are an employee, director or company secretary
 - They hold >5% of the ordinary share capital and voting rights of the company
 - The company is either a trading company or the holding company of a trading group

Where shareholders do not currently meet all of the conditions for ER, there are a number of solutions that would enable them to do so, particularly for employees that hold <5% of the shares.

- If the consideration is in the form of shares or loan notes, rather than cash, then there may not be an immediate capital gains tax liability.



Other key tax issues

- If you are leaving cash or reserves in the business for working capital purposes, you may wish to obtain an HMRC clearance against any of the sale consideration being subject to income tax not CGT.
- If you have employees owning shares or share options, you should take advice on how to deal with any payroll and corporation tax issues that might arise on any sale and engage with the buyer early.
- If your company has losses or unused capital allowances, consider how likely the buyer is to be able to use these assets and whether any value can be derived from the deal.
- If it is not possible to settle all HMRC enquiries prior to a sale, you will need to find a mechanism to deal with any unpaid or overpaid tax.

Rajni Patel is a partner in Silver Levene, a lower mid market accountancy practice based in central London.

E: rajni.patel@silverlevene.co.uk

E: david.boyd@silverlevene.co.uk



Pace Equity Expands Team



Pace Equity is delighted to announce that Matt Penneycard has joined the team – Matt brings a wealth of experience spanning 12 years across Private Equity and Venture Capital transactions.

Prior to joining Pace Equity, Matt co-founded DTI Capital in New York where he was responsible for investing private equity and growth capital into UK and US technology companies.

Before DTI, Matt held the position of Associate Director at Octopus Private Equity where he was engaged in all aspects of sourcing, executing, managing and exiting buyout and expansion capital investments in the UK lower mid-market. He also has extensive experience as a board member or angel investor in several companies. Matt will be focusing on all aspects of M&A and fundraising.

Matt's contact details are:

T: 01491 577889

E: mjp@paceequity.com

Looking for Funding?

Consult the experts. We have long standing expertise and connections for raising:

- Venture Capital
- Commercial Finance
- Private Equity
- Angel Finance
- Bank Debt
- Asset Based Lending
- Leasing Finance
- Invoice Discounting

Pace Equity has built a reputation for outstanding professional advice and dedicated service in mid-market Corporate Finance over 24 years.

For an initial exploratory discussion please contact Matt Penneycard at Pace Equity:

T: 01491 577889 E: mjp@paceequity.com



Are your Accounts Ready for an Investor or Buyer?

The key things that people might be looking for in a good set of accounts:

Presentation – Accounts should look professional and be clear to read. Spelling and presentation must be perfect. It is human nature to place greater reliance on well-presented information.

Internal Consistency – The accounts should never contain contradictions. It is surprisingly common for the Directors' performance review to contradict the hard numbers in the detailed notes.

Details – Potential investors should be able to gain a good feel for the business and its performance by the time they have read the accounts; therefore accounts need to be detailed and comprehensive. Ensure that the company's activity is accurately described and the performance review looks forward and projects growth.

The Importance of Good Management Accounts:

Management accounts are vital for good strategic and tactical decision making by the directors and for review by potential investors. The accounts must be accurate, detailed and timely and should cover at least:

Performance analysis – all revenue streams and costs should be compared to both the previous equivalent period and to the budgets prepared. Variance analysis performed on any differences will highlight potential problems or opportunities so that they can either be dealt with or utilised.

Cash projection – in today's environment this is vital to the majority of businesses. Accurate accounts combined with budget forecasts can show potential investors that the business is generating enough cash to cover internal requirements.

Important percentages and ratios that should be known by senior management:

1. **Historic:** current and forecast growth in revenues and profit
2. **Margins:** gross profit and net profit margins
3. **Current ratio:** the ratio of current assets to current liabilities
4. **Return on equity:** percentage of total earnings to equity employed
5. **Gearing:** Ratio of total debt to total equity

For further information contact

E: rajni.patel@silverlevene.co.uk

E: tony.beale@silverlevene.co.uk



Pace Equity

- **Company Valuations**
- **Company Sales**
- **Business Acquisitions**
- **Exit Planning**
- **Management Buyouts**
- **Corporate Fundraising**
- **Banking & Financial Support**
- **Corporate Strategy**
- **Market Intelligence**

Top 10 Tips What Acquirers Value

1. Strong and reliable systems, especially financial systems and reporting
2. Management knows exactly how and where the business makes money
3. Management has full understanding of value drivers, USPs and key KPIs
4. A clear and robust strategy or business plan with regular action planning
5. Skilled, capable and well trained staff
6. Clear differentiation from competitors
7. Well-spread customer base, with no customer > 15% of revenues or profit
8. Good customer accolades and recommendations
9. Clear market positioning
10. Good current performance and projections

T: 01491 577889 E: kengraham@paceequity.com

Funding Sought

The opportunities listed below reflect requirements from a specific client; Pace Equity is also in contact with a large number of individuals looking for investment across a variety of sectors.

- **Innovative Leisure Concept** **Ref. P7336**
 Innovative indoor leisure concept seeks £5m of development capital investment. This is a unique opportunity to invest in a rapidly expanding business which has a well-known brand and excellent growth potential. The business will be looking for funding in mid/late 2013.
T: 01491 577889 E: directors@paceequity.com
W: www.paceequity.com

Contact Us

Pace Equity Ltd
 Blandy House
 29 Hart Street
 Henley-on-Thames
 Oxfordshire RG9 2AR

T: 01491 577889
F: 01491 574488
E: directors@paceequity.com
W: www.paceequity.com

Important Notice

This publication is designed to publicise outline information on companies for sale and companies looking for acquisition opportunities. Nothing in this publication is intended to constitute an offer, or an invitation to make an offer to acquire or dispose of any securities. The onus is upon the parties replying to any situations advertised, to undertake all appropriate enquiries and investigations in relation to any proposed transactions.

Pace Equity Limited is authorised and regulated by the Financial Conduct Authority. Please read the following statement: Investment in new business carries high risk as well as the possibility of high rewards. Investment of this nature can be highly speculative and potential purchasers should be aware that no established market exists for the trading of shares in private companies. Investors are strongly counselled to take their own independent, professional advice from a specialist in such investments and authorised under the Financial Services and Markets Act 2000.

The persons responsible for drafting the outline information have taken reasonable steps to ensure that the information it contains concerning proposals is neither inaccurate nor misleading. While every precaution has been taken to ensure that the information contained in this publication is correct, Pace Equity Limited makes no representations or warranties about the accuracy, completeness, or suitability for any purpose of the information and related graphics in this publication. The information contained in this publication may contain technical inaccuracies or typographical errors. All liability of Pace Equity Limited howsoever arising for any such inaccuracies or errors is expressly excluded to the fullest extent permitted by law.

Neither Pace Equity Limited nor any of its directors, employees or other representatives will be liable for loss or damage arising out of or in connection with this publication. This is a comprehensive limitation of liability that applies to all damages of any kind, including (without limitation) compensatory, direct, indirect or consequential damages, loss of data, income or profit, loss of or damage to property and claims of third parties.

None of the exclusions and limitations in this disclaimer is intended to limit any rights you may have as a consumer under local law or other statutory rights which may not be excluded nor in any way to exclude or limit liability to you for death or personal injury resulting from our negligence or that of our employees or agents.

If any term of this disclaimer shall be held to be invalid, illegal or unenforceable, the remaining terms or provisions shall remain in full force and effect and such invalid, illegal or unenforceable terms and provisions shall be deemed, ab initio, not to have been part of this disclaimer.

These terms shall be governed by, and subject to the exclusive jurisdiction of, the laws of England and Wales. All business undertaken is subject to the Standard Terms and Conditions of Pace Equity Limited, copies of which are available upon request.