

Deal Dispatch

The Smith Cooper Corporate Finance Newsletter

SMITH COOPER
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SCCF generates sale for Harringtons

The shareholders of Wirksworth based Harrington Generators International Limited (HGI), the UK's leading designer and manufacturer of specialist generators were advised by SCCF in the £6 million sale of the company to FKI plc. This is the second recent deal in the power generation sector, following on from the sale of Crestchic to an AIM listed company.

SCCF assisted the shareholders in grooming the business for sale over a two year period and then provided full project management of the sale process. Smith Cooper's specialist tax team provided taxation advice.

SCCF were able to draw on existing contacts at FKI to secure the buyer.



HGI has a global reputation for designing and supplying innovative solutions for providing power supplies in situations where mains power is unavailable or where reliable standby power is required. HGI's niche is in bespoke, specialised units specifically designed for purpose and built in relatively low volumes. HGI has produced generator products capable of withstanding rough handling in military applications, extremes of temperature and altitude, corrosive environments and models that operate with low noise and vibration. The products are sold into the military, rail, industrial, oil and gas, telecoms, plant hire and construction sectors throughout the world.

The company grew strongly and now occupies purpose built factory units at Wirksworth. Turnover now exceeds £13m and the company employs over 80 people.

HGI was founded by Peter and Nadine Harrington in 1987 following Peter's success in overhauling air compressors and building generators, first in his garage then in a farm's old milking parlour, at weekends.

HGI becomes part of FKI Generators' activities and, using FKI's broader generator knowledge and geographical reach, will be developed further, particularly internationally.

Peter Harrington has taken up a consultancy position with HGI but the sale has enabled him and Nadine to focus more on their other interests. The deal also achieved a further objective of handing the business on to a larger group that could ensure its continued future development.



John Farnsworth



Andrew Durbin

Family bakery sold to acquisitive plc

An East Midlands family run bakery has been sold to an acquisitive food manufacturer based in Dublin, in a deal project managed on behalf of the owners by SCCF.

SCCF worked closely with the family to conclude a deal with the acquiror following an initial approach several years ago.



The bakery is an award winning wholesale producer of a variety of breads and confectionary. The company operates from modern purpose built premises in the East Midlands and currently employs over 75 staff and generates a turnover in excess of £4 million.

The business will continue to be run by the current managing director.



Simon Bursell



David Crump



Caroline Kovats

A window of opportunity

SCCF recently advised the sellers of an East Midlands based designer, manufacturer and installer of commercial windows, doors and curtain walling. The deal involved a restructuring of the company's ownership enabling the original founders of the business to sell their majority stake in the share capital to a Midlands based group.

The deal structure formulated by SCCF also enabled the current managing director and operations director, to increase their stake in the business, whilst allowing the company to benefit from the synergies of the enlarged group and enabling the retiring directors to realise their investment in the company.

The company is a well respected subcontractor in the design, manufacture and installation of architectural aluminium glazed systems and employs in excess of 50 people. Examples of the company's work can be seen at Standard Hill in Nottingham, Sherwood Business Park, Lords Cricket Ground and its most recent project at ng2 in Nottingham.



SCCF worked with the vendors for several years to assist in grooming the business and then to find the right acquiror to secure the future of the business whilst meeting the personal objectives of each of the individual shareholders.

The deal provided an excellent opportunity for the management team, as well as for the enlarged group, to further develop the business, building on the success that has already been achieved. The enlarged business is undoubtedly poised for further growth.

The retiring vendor stated: "We were fortunate in having SCCF acting on our behalf. We found that they took most of the pressure away and acted in an extremely efficient and professional manner, resulting in a successful completion. Under the new ownership we are sure that the company will go on to even greater success in the future."

Grooming for sale

Preparing your business for sale is an essential process if proceeds are to be maximised. Problems and issues ironed out before the business is marketed can save weeks of detailed due diligence enquiries, additional warranties and indemnities and, occasionally, the complete failure of the proposed deal. In other cases, ensuring contracts are signed up and operating efficiently can add millions to the value – timing of a sale can be critical.

SCCF work closely with sellers to ensure maximum proceeds and minimum disruption in the deal process. Indeed, all three deals featured in this issue involved SCCF working alongside the client for two or three years. It is never too soon to take advice on grooming for sale. SCCF are happy to discuss your specific situation and to develop an action plan with you.

Market comment

SCCF see the market as generally buoyant, with confidence higher than a year or so ago and more deals are being done.

Some deals, but by no means all, are starting to come to fruition more quickly. Trade buyers have certainly returned to the market with a vengeance. In the first half of 2006, SCCF completed five sales involving trade buyers, three of which were to listed companies. Indeed, trade buyer appetite for niche businesses is so high that two of these sales came about from unsolicited approaches to the owners.

Many commentators underestimate the manufacturing sector due to the growth of the service sector. Our experience in the mergers and acquisitions market is that there is a healthy market for selling good quality businesses in either sector. We have handled deals in both sectors with the only apparent trend being the target company's status as a high quality niche company operating in the business to business arena.

We see no major challenges to businesses in the forthcoming months but further interest rate rises, cut price competition from the Far East, and the rising energy costs are issues on which to keep a watchful eye.

Now is a good time to sell your business and realise wealth, especially with government funding deficits meaning the favourable taper relief on capital gains currently available to many shareholders may, at least in theory, come under pressure.

Areas of interest

SCCF are currently active in several niche markets, in particular: power generation; fast food restaurants/franchises; aerospace; telecommunications; food wholesalers; printing and packaging; and salvage.

If you require guidance on a potential transaction in any of these sectors, or indeed in any other sector, we would be delighted to discuss the matter with you.

SCCF deal management services:

- Sales
- Acquisitions
- MBO's/MBI's
- Fundraising

Other Smith Cooper deal related services:

- Due diligence
- Taxation
- Financial modelling
- Pensions

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