

# DECISION

BUSINESS MAGAZINE

THE CORPORATE FINANCE LAWYER

An independent report



# THE CORPORATE FINANCE LAWYER

## SHOWCASE



The purpose of the following report was to identify and then validate the attributes, actual experience and performance of the corporate team at Paris Smith & Randall. The content was completely sourced by DECISION and written from interviews undertaken by its senior writers. Its compilation took place over a four-month period.

The report is also published as part of the journal's Corporate Lawyer Showcase project.

Paris Smith & Randall were not able to make any changes to the report, apart from the correction of any factual inaccuracies should they have occurred.

As a consequence, the views expressed by those who have been interviewed are not necessarily those of the firm.

A handwritten signature in black ink that reads "Larry Dillner". The signature is written in a cursive, flowing style.

Larry Dillner, Publisher

# DECISION

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# THE CORPORATE FINANCE LAWYER

## SHOWCASE



The corporate commercial team is described by the Legal 500 directory as "responsive and helpful" and the firm as having "a long and distinguished history in the region." Paris Smith & Randall have 24 partners and more than 180 staff, including 72 lawyers.

# THE CORPORATE FINANCE LAWYER

## SHOWCASE



### KEY CORPORATE FINANCE PEOPLE



**SEAN DAVIES,  
PARTNER**

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#### PERSONAL OVERVIEW:

"There is no substitute for a corporate finance lawyer's ability to provide a critical analysis for the client. If that is based on having a long-term view of the client's intention, the broader view, then the lawyer's input is positive, not defensive and reactive. I do believe you need to work well with the other parties. Everyone around the negotiating table is up for it, otherwise they wouldn't be there, so it's a question of working with them - with maturity and integrity - to get the deal done. Maturity and integrity? Another way of putting it is to say that the client has to have trust and confidence in their corporate finance lawyer's approach. I would also see my role as being to de-jitter the whole process for the client, and to make sure they aren't unsettled

when something unexpected happens - as it will to a greater or lesser extent on every transaction. Part of achieving that is good communication. If I'm your lawyer, you should be able to get hold of me. Too many corporate finance lawyers are juggling too many deals!"

#### INSIGHT:

The management buy-out team acquiring a privately-owned group was anxious about the EMI scheme and the possibility of an 'awkward employee' creating a problem which could affect the deal. But Sean Davies, acting for management in the transaction, was able to demonstrate that when he had set the EMI scheme up, the eventuality of a sale had been 'built in', and a clause included which meant the company could force the employee's hand and prevent them from frustrating the MBO process.

In the sale of an IT company, an issue relating to £200,000+ dilapidations was raised by the purchaser at the last minute. The purchaser wanted personal indemnities from the vendors, which they came under great pressure to give, but knowing the relative vulnerability of his clients, Sean Davies knew they didn't want that level of potential exposure after the deal. He advised them to appoint a surveyor which lead to

a one-off relatively insignificant price adjustment and the dropping of the proposed indemnities.

#### REFERENCE

"Basically for the sale of our company, the quality we were looking for was a really good understanding of business as opposed to someone who was just being a lawyer. I had been dealing with Sean Davies for probably about a dozen years, so I knew him pretty well before he got involved in the sale of the business. I'd describe him as totally switched on; he doesn't miss a trick. He's a very smart business lawyer and incredibly professional and pragmatic. He also has the knack of making everything appear relatively simple as well as being very patient. It was quite interesting because there was in a sense a disparity between the two sides in that in a huge firm the buyer's lawyer was relatively junior and in a sense quite naïve. Sean handled that situation really well."

Howard Neale

#### DEAL PROFILE

##### Acquisitions

Services business	£500k
Transport business	£500k

# THE CORPORATE FINANCE LAWYER

## SHOWCASE



Engineering business £800k

### Disposals

Manufacturing/services business	£7m
Services business	£3m
Manufacturing business	£600k
Electrical business	£1m
Services business to MBI	£500k
Manufacturing business	£800k
Recruitment business	£1m
Transport business	£1m
Manufacturing business for administrator	£1.5m
Franchise business	£500k
Healthcare business	£3m
Hotel	£6m

### Joint Ventures

Property company £2m+

### Management Buy-Outs

Engineering business	£7m
Marine services business	£2.4m
Distribution business	£9m
Services business	£7m

### Reconstruction/Reorganisation

Services business £4m

### Share Repurchase

Travel company £500k



**ANDREW HEATHCOCK,  
PARTNER**  
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### PERSONAL OVERVIEW

“To be able to focus on the issues which are important to the client if they are to achieve their objectives, I need to understand why they are doing the deal, their motivation. It isn't rocket science, but it's very easy, when a corporate finance lawyer gets an instruction, just to pile straight into it. By the time the lawyer is instructed, the client has already been working on the deal, and now they want to see some action. But unless the lawyer knows how to get hold of the bigger picture - and quickly - all they can deliver is the plain vanilla transaction which probably won't optimise what the client really wants to achieve. I always liken a corporate finance transaction to a closing door. It moves a long distance and very quickly towards the end, when 80% of the work can take place, so the lawyer has to have the kind of temperament and organisational skills to deliver under pressure.

Part of that delivery requires the lawyer to analyse risk, and then to advise on the options. After a deal has been completed I take the time to visit the company, just to look at how any key issues have been addressed and that everything covered by the agreement is working out.”

### INSIGHT

The buy-out team had created Newco as the buying vehicle but didn't have the financial strength to detach the selling plc from its obligation on leasehold properties - not an uncommon problem. Andrew Heathcock negotiated the deal on the principle that the vendor should be no worse off if the buy-out got into financial difficulties, and the required safeguards were put in place. The plc was confident in the MBO team but were concerned if there was a change of control in the future. Andrew Heathcock's solution was to have a cash retention out of any sale proceeds above a defined threshold.

In the sale of a company, it was essential that the vendors were 'on board' for at least three years, and deferred terms centred around that requirement - which would have meant the vendors would have promptly fallen into

# THE CORPORATE FINANCE LAWYER

## SHOWCASE



a tax bear trap. Andrew Heathcock drew up an alternative deal structure, based on agreed turnover targets, which achieved the same objectives and was agreed by both sides.

### REFERENCE

“There were several times along the way when Andrew Heathcock pointed something out that we had to accept or that we shouldn’t be frightened by. There have been a couple of times when I have been dealing with management buy out teams and found that Andrew was able to keep things calm. On one deal, the team, a fairly mature disparate bunch of people as MBO teams often are, had never been through anything like it in their lives. There were a couple of occasions when it was ‘rabbits in headlights’ and then Andrew would then explain things in that lovely way of his and the headlights would be dimmed!”

Terry Madden, TSS International Ltd

### DEAL PROFILE

#### Acquisitions

Professional practice	£5m
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#### Banking

(acting for bank)	
MBO funding	£3.2m
Invoice discounting	£1.5m
Additional loan facility	£3.4m
Acquisition finance	£5m+
Revolving credit facility (property co)	£12m

#### Disposals

Property services business	£1m
Printing business	£3m
Property development company (sale of stake)	£1.9m
Manufacturing business	£6.25m
Manufacturing business	£5m+
Country club business	£2m+
Professional practice	£2.5m

#### Finance

Refinance for motor trade business	£46m
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#### Joint Venture

Audio/IT business	£5m
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#### Management Buy-Outs

Manufacturing business	£2.5m
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#### Reconstruction/Reorganisation

Engineering plc	£50m+
Motor trade	£1m
Family-owned property company	£30m
Recruitment business	£3m+



**JONATHON ROY,  
ASSOCIATE**

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#### PERSONAL OVERVIEW

“If there is one good reason why a corporate finance lawyer has to do the pre-planning to identify what the client needs to get out of the deal, it’s that company directors haven’t got time for the corporate finance lawyer to argue every single point which is raised during the transaction process. In addition to understanding the client’s requirements, you also have to appreciate their position. If the vendor is staying on in some capacity after selling to a management buy-out team, for example, the

# THE CORPORATE FINANCE LAWYER

## SHOWCASE



negotiating position we take has to reflect the client's position after completion; we can't burn their bridges by destroying the relationship between the parties in the negotiations. Completion of the deal might be the end of it for the advisers, but for the client it marks the beginning of something. So after the deal has been completed, I always provide the client with a synopsis of post-completion matters, both legal and practical, that they will need to address."

### INSIGHT:

The sale of a company for £7.5million had to be completed within seven days of Jonathon Roy receiving instructions if the client were to avoid paying an additional £750,000 of the consideration to a venture capitalist who had previously invested in the business. The deal was completed five minutes before the midnight deadline.

A real-time working capital test was to be applied on completion for the disposal of a company for £6million. Acting for the vendor, Jonathon Roy had not been specifically instructed to advise on the conduct of the working capital test, but his suggestions, which were accepted by the corporate acquirer and their team of accountants, saved the client some £35,000 which otherwise would have directly reduced the headline consideration.

### REFERENCE

"I think for me, what really impressed about Jonathon Roy was that he was able to relay what could be termed 'corporate speak' as well as really complex legal terms to us in plain English. Jonathon was our adviser when the business was acquired, and from my point of view, it was essential to have a corporate finance lawyer who can speak in a non technical way. He was also particularly good at picking up on our business model. Our company operates in a very specialist area of the market, yet Jonathon came in, picked up what it was that we were about and really understood it. There were so many tricky aspects to the deal, including intellectual property rights, safeguarding the interests of my other businesses which needed to be ring-fenced, and so on. His approach was pertinent to creating the right deal where there is an earn-out associated with the transaction, which these days is quite normal. He was very good at relaying the details of the purchase agreement to us in an understandable fashion. He can also put his foot down when it was needed. And it was down to him that we kept the upper hand throughout the transaction - which is how it should be when you are selling an asset after all."

Paul Holland, Weblinc

### DEAL PROFILE

#### Acquisitions

Electronics business	£2m+
Marina business	£2m
Motor dealership	£1.5m
Packaging business	£3m
Manufacturing business	£8m
Engineering business	£1.5m
Marine business	£3.5m

#### Disposals

Distribution business	£70m+
IT business	£6m
Property company	£2.5m
Home improvement business	£1.5m
Waste management company to MBO	£11.7m
Intelligence monitoring business	£23m+
Social care business	£1.2m
Holiday business	£2m
Security business	£2m
Vending business	£1.9m
Professional practice	£2.5m
Manufacturing company (equity stake)	£1m
Care home business	£2.9m

#### Reconstruction/Reorganisation

Engineering business	£2m
Sign making business	£3m+

#### Share buy-back

Leisure company	£2m
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# THE CORPORATE FINANCE LAWYER

## SHOWCASE



### Other transactions by the commercial department include

#### Acquisitions

Manufacturing business	£7.8m
Commercial radio station	£1.1m
Internet recruitment business	£3.2m

#### Banking

Term loan and invoice discounting facilities	£6.85m
Loan finance	£3m

#### Disposals

Engineering business	£10.5m
Chemicals business	£1.2m
Financial services company	£6.8m
Manufacturing business to MBO	£1.8m

#### Joint Ventures

Property business	£2m
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#### Management Buy-Outs

Manufacturing business	£7m
Transport business	£2m

#### Reconstruction/Reorganisation

Services business	£4m
Motor dealership business	£3m
IT company inc capital reduction	£3m

#### Securitisation

Sports business	£10m
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