

The Acquirer

The corporate finance magazine from Livingstone

AUTUMN 2015



When East meets West

Sedant's acquisition of Germany's apt Hiller

PLUS: CYBERSECURITY. THE GRASS IS GREENER FOR IDVERDE. SECTOR FOCUS: ECOMMERCE

IN THIS ISSUE

Features

- 04** — **COVER STORY**
Enter the dragon
Bridging the cultural divide between China and Germany
- 08** — **CYBERSECURITY**
Cyber due diligence: the next big thing
IT security is becoming critical
- 11** — **CLIENT HERO**
A holistic approach
Ragnar Åhgren, Chairman of Sweden's Holistic Hearing
- 12** — **SECTOR: BUSINESS SERVICES**
The rail deal
The sale of LR Rail to Ricardo
- 14** — **SECTOR: HEALTHCARE**
Taking care
A rapid sale for Brookdale Care
- 16** — **SECTOR: BUSINESS SERVICES**
Changing the landscape
idverde's vision for a Europe-wide green services company
- 18** — **SECTOR: MEDIA & TECHNOLOGY**
Ding tops up with debt
Financing Ding's acquisition of iSend
- 20** — **SECTOR: MEDIA & TECHNOLOGY**
Fertile ground
Lyceum buys Briefing Media
- 21** — **SECTOR: MEDIA & TECHNOLOGY**
App up
Focus on ecommerce
- 23** — **SECTOR: INDUSTRIAL**
Showers of success
A strategic Spanish deal

Regulars

- 03** — **NEWS DIGEST**
The latest from Livingstone
- 07** — **COMMENT**
James Hurley on the value of a good Finance Director when preparing for an exit

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Livingstone is an international mid-market M&A and Debt Advisory firm, with offices in Beijing, Chicago, Düsseldorf, London, Madrid and Stockholm. Its 100 staff complete 40 to 50 deals per annum.



Comment

Looking at global deal activity, it should be a very active M&A market across the Nordic region. And for sure, it's been a busy year. Interestingly, in the last 12 months we have seen record levels of international buyers looking to enter the region in search of growth investments that are not cheap, but still one to two turns of EBITDA multiple lower than in the US.

Of course, the individual Nordic countries behave differently. Norway has been impacted by the fall in the oil price, whereas Finland has suffered from deteriorating relations with Russia, a key business partner and source of spending for the Finnish economy. Denmark is performing averagely and Sweden is proving to be as resilient as ever. With the Swedish Central Bank lowering the repo rate in July to an unprecedented -0.35%, money has been flooding the markets.

In Sweden, sellers have more options than ever – an overheating stock market is generating premium valuations and becoming a more attractive option for business owners seeking an exit. The M&A market has been more 'two-speed': the highest quality assets have changed hands at record valuations, boosted by buoyant bank and bond markets, whereas more middle-of-the-road opportunities have been a tougher sell.

So what does the crystal ball show? Following strong second-quarter reports from major industrial groups such as Atlas Copco, Ericsson, Hexagon and Alfa Laval, albeit flattered by currency effects, business confidence is on the rise. Our Nordic clients confirm the positive trend, building particularly on improvements across the Eurozone.

Consequently, Nordic corporates are ramping up their acquisition budgets and M&A activity is increasing. For the time being, opportunities abound for both sellers and growth-seeking investors, and we foresee continued interest from European, North American and Asian buyers seeking exposure to the favourable Nordic (economic) climate. This is where Livingstone is adding value as a trusted adviser with 'boots on the ground', and the local contacts and expertise that come with that.



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\$1.10tn

The total volume of cross-border M&A in 2014 was \$1.10tn, up from \$775.3bn in 2013 and the highest annual figure since 2008.

Source: Acquisition International

Online opinion

Go to livingstonepartners.com for news, blogs and more

Graham Carberry comments on the UK Government's new scheme to protect small businesses from cyber attacks (see page 8 for more)

The UK cybersecurity industry is strong and growing – worth £17.6bn and employing over 40,000 people – but more skilled people are needed to help protect the nation as the UK goes digital and adopts new technologies.

The new 'Inspired Careers' online skills and career hub has been developed by industry body CREST and the Government to tackle the skills shortage in cybersecurity. It is good to see that the Government recognises that SMEs are key to the IP supply chain and need to support the building of IT security at all levels of the business community. This is a small gesture, but a step in the right direction.

Anand Parekh explains how omni-channel is driving the convergence of retail and technology

Omni-channel implies a seamless, integrated retail experience for consumers spanning the online, mobile and physical shopping channels. This is particularly prevalent in UK retail, where a mature ecommerce market and demanding consumers are forcing retailers to differentiate themselves through customer experience, and to do so consistently across all consumer touch points. This helps drive sales across all channels.

wardour

Taking care

Livingstone's intimate knowledge of the healthcare services market, and diligent preparation for an exacting sales process, assured a smooth acquisition of Brookdale Care by Tracscare

Around 700,000 people in the UK today are thought to be living with some form of autism. That's one in 100 people – five times more than just 20 years ago. While only 14% require specialist care, the huge increase in numbers represents a significant challenge for the UK care services sector – and an exciting opportunity for investors in the space.

Serial entrepreneur Michael McInerney recognised that opportunity in 2002, when he founded Brookdale Care to focus on the challenging and complex needs of adults with autistic spectrum disorder (ASD), having successfully exited his previous care homes business.

Brookdale does far more than provide accommodation. McInerney assembled a passionate team of leaders in autism care – and listened to them. The result is an innovative care pathway built around a

Livingstone London. “Funding pressures and the shift away from traditional institutional care, in the wake of recent hospital abuse scandals, make for volatility, which creates opportunities for investors.

“The market has a love/hate affair with hospital-type institutions,” she continues, “so we needed to make sure that potential investors understood the genuinely innovative nature of Brookdale’s facilities and approach. We spent a lot of time getting to know the business before approaching potential acquirers, and created a highly competitive process to maximise shareholder value.”

Brookdale’s differentiated care proposition and compelling growth prospects, coupled with its strong performance and well invested property portfolio in Hertfordshire, Bedfordshire and Cambridgeshire, attracted interest from a number of PE investors, some already operating in the Healthcare sector and

half weeks. The challenging timescale, driven by McInerney, relied on Livingstone’s exhaustive preparation of the Brookdale management team. Although operationally and strategically strong, the team had little previous experience of the demands of this type of transaction.

“The typical intensity of the sales process was magnified by the compressed time frame,” says Dawaf. “It required meticulous attention to detail, so the groundwork we put in with the team, coaching them on what to expect and how to answer questions in the sort of detail required, was critical.”

She adds: “The same Livingstone people who met Michael on day one supported Brookdale throughout, and that continuity and trust were important too, especially when the pace sped up in the last few weeks.”

McInerney is delighted with the transaction. “Livingstone’s early grasp of exactly what we were about, and the detailed knowledge they demonstrated of our highly specialised business, was critical, both for identifying key targets and representing us in the best possible light,” he says. “That solid understanding enabled them to position the business without continually referring back to us.”

Tracscare is now consolidating its autism services under the Brookdale brand name, making it the largest specialist provider of care and support for people with autism in the country. As its Chief Executive, Peter Battle, puts it: “This is a hugely significant moment in the journey of Tracscare.”

THE RACE WAS ON TO COMPLETE THE TRANSACTION IN JUST 3.5 WEEKS

unique therapeutic campus, offering tailored support to people with different needs.

Brookdale’s highly effective hub-and-spoke model – the therapeutic campus providing a central clinical resource from which Brookdale’s nine residential homes benefit – provides a full range of services, from secure in-patient facilities to 24-hour residential care and supported living. It provides a care pathway that allows individuals with ASD to transition from in-patient care to a residential setting in a measured and carefully controlled manner.

HEALTHCARE CONSOLIDATION

After 13 years of growth in a market that continues to expand, McInerney decided it was time for Brookdale to become part of a larger group, and turned to Livingstone’s Healthcare sector team to find the right investor.

“The UK care services sector is going through a period of consolidation,” explains Karen Dawaf, Associate Director at

others looking for a foothold. There was also interest from strategic players, but one partner stood out from the pack.

A NEAT FIT

“Tracscare was an excellent strategic fit,” says Barry Sheehan, Associate Director at Livingstone London. “They came to the table very well informed, and knowing what the Brookdale team was going through, as Tracscare itself had been acquired by European healthcare services investor G Square as part of its UK buy-and-build strategy.”

Operating in the Midlands, the South West and South Wales, Tracscare has more than 25 years’ experience of providing care and support for people with acquired brain injuries, mental health needs, ASD and learning disabilities. Not only did Tracscare and Brookdale share a common ethos, they also complemented one another geographically.

Once exclusivity was granted, the race was on to complete the transaction in just three and a

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Therapy in motion

Livingstone's Healthcare sector experience is well established across the firm's six international offices, with particular strength in the US. Outpatient physical therapy is in the midst of an M&A frenzy in the US, where more than 10,000 clinics are spread across thousands of private practices nationwide. Livingstone's expertise in this niche sector puts the firm front and centre as the industry consolidates.

"In a sector as dynamic as this, the old adage that you are either growing or dying has never held truer, and private practices have a ravenous appetite for outside investment," says Ryan Buckley, Director at Livingstone Chicago. "The hunting ground is plentiful for buyers and investors."

A decade ago, sellers could look to just a handful of acquirers, but the influx of PE capital into the Healthcare sector has helped create a uniquely attractive environment for private practices that are interested in exiting or building a bigger business. "Preparation and proper positioning are paramount to ensure an optimal and successful outcome," Buckley adds.

The latest in a string of healthcare transactions that the Chicago team has successfully completed saw Livingstone secure growth capital from Pharos Capital Group, LLC to create one of the largest physical therapy platforms in New York City, MOTION PT Holdings, Inc.

The new, scalable platform brings together Brooklyn-based Metro SportsMed (MSM) and Manhattan's STAR Physical Therapy. Now the focus is on acquisition-led expansion, funded by Pharos working in partnership with management, to build the premier physical therapy network in the northeastern US.

David S. Menche, M.D., an orthopaedic surgeon and founder of MSM, who will become Chairman of MOTION, says: "Livingstone provided expert guidance throughout this complicated transaction and facilitated a competitive marketing process to provide MSM and STAR shareholders with a variety of attractive alternatives to consummate MOTION's formation."

 SUZANNE CADISCH
 CARLO GIAMBARRESI

TRANSACTION AT A GLANCE

CLIENT: BROOKDALE CARE

SECTOR: HEALTHCARE

TRANSACTION TYPE: COMPANY SALE

ACQUIRER: TRACSCARE

We've achieved results for these clients. What can we do for you?

memorial stationery provider has been sold to

paediatric home infusion business has been sold to

major assets of a leading manufacturer of bathroom furniture have been sold to

major assets of a leading provider of winter maintenance solutions have been sold to

specialist provider of luxury discounted packaged holiday deals has been sold to

leading provider of B2B agriculture-focused media assets has been the subject of a buy-out backed by

majority stake in the leading manufacturer of quality aluminium extrusion profiles has been sold to

specialist residential care provider has been sold to

leading global provider of international mobile top-up services has acquired

leading provider of digital traffic enforcement systems has been sold to

leading Swedish provider of hearing aid fittings and hearing solutions has been sold to

leading provider of retail strategy consultancy services has been sold to

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