HSBC

Video Transcript

Business Ownership Transition Webinar Series - Exit to Private Equity

Russell Prior:

Good morning and thank you for joining the third webinar of our Beyond Business Ownership webinar series. Today's webinar is on the topic of selling to private equity.

My name is Russell Prior and I lead the Family Enterprise Succession Service at HSBC Private Banking. As a quick reminder, the first two webinars in our series focused on preparing yourself and your business for exit, and pre-sale personal planning. If you missed them and would like copies of the recordings, please do contact your HSBC Relationship Manager.

Now in this and the following two webinars, we're going to take a detailed look at several alternative ownership transition routes, who they suit, and how they work. And the first of these, today's episode, is selling, as I say, selling to private equity. Now I'm delighted to be joined today by an excellent panel that brings together experts from different parts of private equity exit. Our panellists are Joshua Neish, Head of Financial Sponsor Coverage at HSBC, Amar Shanghavi, Investment Director at the PE firm MML Capital Partners, Baber Din, Partner at Deloitte Transaction Services, and Sophie O'Connor, Partner at Norton Rose Fulbright. To our panellists, thank you very much for joining me and looking forward to our conversation this morning.

Now as always, before we get started, I'd like to make clear a couple of things. Firstly, the health warning that HSBC UK Bank PLC and our panellists have no responsibility for, and are not providing legal or tax advice in this webinar. So please, to our audience this morning, any views expressed or information provided, I'm sure you understand that that doesn't constitute legal or tax advice and shouldn't be relied upon as such.

Now the second of the points I wanted to raise right at the beginning, and more importantly for our audience this morning, is that if you'd like to ask questions, please use the question box at the bottom of your screen, and we'll have time for questions at the end. And any of them that come in that are relevant to the conversation we're having in the moment, then I can pick those up and bring those up with our panellists.

So let's crack on with the topic this morning, and what I'd like to do is start by taking a look at the state of the PE market. Joshua, I'm going to come to you first on this. I know the PE market has expanded hugely, developed hugely, over the last period of years, and yes, there have been some market ups and downs over the last couple of years, but it's a diverse market and, as I say, an expanding market. Not all PE firms are the same. Not all structures are the same. So, how would you describe what's going on in the market?

Joshua Neish:

Morning, Russell. Morning, everybody. It's an interesting time and I think the macro conditions that we're all aware of are personified in the world in which we operate, so that's private equity and it's also reflected in other forms of capital markets.

To your point on things being diverse, you're spot on. Not all firms are the same and all firms have their own brand, culture and approach. Why execution is relatively low at the moment, and what do I mean by that? So, in any one year there tends to be around circa 50 deals, if you look back on, say, an eight-year average of LBOs, leveraged buyouts, over 100 million EV.

If you look at the last ten months, so H2 of 2022, and the first five months of this year, there's been 19 transactions. So, going back to the original point, the current macro environment is driving suppressed volumes.

Russell Prior:

Thanks, thanks, Joshua. So Amar, let me maybe also get your take on the market here as well. But also let me throw a couple of other points into this question. Obviously, we've heard and read different stories about PE transactions, often the not-so-great news comes out in the press about these things, whether it's large amounts of debt or serious cost-cutting. I'd like you to give us your take on the market, but also looking at the mid-market in particular.

Could you talk a little bit about what you see PE houses looking to achieve from their investments? And then, as an example of a particular approach, perhaps you could say something about the critical factors in your firm's approach or investment criteria.

Amar Shanghavi:

Yeah. Good morning, Russell. Good morning, everyone, and thanks very much. Yeah, look, it's a tough… I mean, to summarise what's happening in the market, but big picture, I think there's just been a bit of dislocation broadly, there's just a bit of… No one's got a crystal ball to understand what's going to happen to interest rates. It's a macroeconomic environment. So to be able to forecast with accuracy at this point, is your business going to grow? What's going to happen? What's your exposure? That's more challenging, which has led to some deals either not happening or being delayed.

But I think, big picture, it remains a market where lots of people have raised lots of money to invest into mid-market businesses. That is, it’s a huge market and that capital is still there to be invested. So I think at some point, whether it's in, say, three months or six months, the market's going to come back, and typically where there's been slowdowns, COVID’s the most recent and obvious example, as soon as it does come back, it comes back with a lot of vigour and quickly, and volumes bounce back pretty quickly.

For example, 2020 and 2021 was some of… The most deals happened in those years despite the COVID slowdown in the early part of 2020. But Russell, to your point, what do we look for in mid-market? And I think fundamentally, we are partnership investors. So we are looking for owner-managed businesses who are looking for a partner to go on a journey with them. And most of our returns are driven by growth. It's very hard at mid-market to drive returns from material cost-cutting because typically owner-managers are better at doing that than us. And also from leverage because it's not that easy to put loads of leverage onto businesses in markets.

So really it's all about growth, and we take a view that some people, for example, may say, “We want to do buyouts and buy whole businesses.” We take the view that actually owner-managers know how to run the businesses better than we do. But they might need a partner to help do things they haven't done before, whether it be material acquisitions, international expansion, and also a lot of the time, people's personal balance sheets are locked up in their business.

They’ve grown a business to a million, five million, ten million in EBITDA, probably not taken lots of money out of the business themselves. So actually, doing that material acquisition in another country or introducing a new product, or making that big investment, it’s a lot harder because they haven't got the risk appetite that you need to make that step. So that's where we come in.

We typically try and find a way of investing as a minority investor. Often I think we're 40 to 50 per cent shareholders. The incumbent shareholder base has some cash off the table and rolls into the next deal. And then we help that team execute on a plan that they… Often they've drafted the plan and we help them execute, rather than us bringing a plan to them.

Russell Prior:

That's really, really helpful. Thank you for that. Thank you for sharing that view on the market as well. So look, you've also highlighted there, Amar, your point of difference for your firm, but given us a view.

So Joshua, if I turn that question around, we've heard many times in the conversations we've been having with business owners about just how important it is for a vendor to be working with the right PE firm. How does a vendor find the right firm for them? And what are the critical questions that a vendor should be asking when they're in that search for the right partner to take their business forward?

Joshua Neish:

It's an excellent question, and I think, touching on what Amar said about partnership, I think a business owner, an entrepreneur, an owner-manager really needs to focus on, who do I want to partner with? And as a business owner, you need to be very comfortable with your personal plan and what you think the business should do. And then off the back of that, you work with financial advisers, you work with financial institutions, and eventually you work with private equity to assess, based on your own criteria, who you should work with and potentially do a transaction with.

But you really need to take into account, Russell, I think Amar used the phrase, personal balance sheet. What's driving you from a financial perspective? But simultaneously, what is your vision of the business? What is your legacy? And those two points really drive how we as an institution would introduce operators to financial investors.

It's very bespoke, and you said it yourself, Russell, not all firms are the same. So it's about finding a match based on the people, based on the strategic objectives, and also the financial requirements of the founders to drive the best partnership going forward.

Russell Prior:

So that's really helpful. I'm going to move on in a moment to start to walk through a typical deal timeline. But before I do, both you, Amar and Joshua, you've highlighted a really interesting point there about the business owners knowing themselves. If I flip that around the other way, because you'll be seeing a lot of business owners, and be talking to a lot, are there any particular characteristics of a business owner that might make them better suited to a PE-backed deal?

Joshua Neish:

Again, I'll say every business owner is different and has their own approach, and they are very successful because they have their own style and approach. So, you can't put everyone into one bucket, just like you can't put every PE firm into one bucket. But what I would say is, and Amar will probably talk to this better than I will, for that… Private equity don't love entrepreneurs because entrepreneurs are brilliant at being entrepreneurs.

So, that transition to a different level of investor and that change to working with a partner, everyone needs to be aware of what they're getting into and be very focused on the adjustments both partners have to make to make it successful, to make the partnership successful. I think I've backed out of that question but I'll let Amar give his view.

Amar Shanghavi:

Look, I think we recognise that most businesses that we see have been successful and they're led by successful people. And the worst thing we can do is to stifle that or put too much governance structures in place to get in the way, right. The worst thing we could do is get in the way. And I think for me, the best… People who have a lot of success after a private equity deal, from an owner-manager perspective, is people who are really self-aware at understanding what their skills are and where the gaps are, and understanding how to fill them.

I mean, fundamentally, we are not trying… Don't want to be operational. So we would never come in to a business that an owner-manager has built from scratch and tell them how to run it, because that's not our skill set and we'd do a terrible job of it every time.

But what we all are really good at is helping on things like M&A, senior recruitment, understanding where the leadership needs to transition from being single-person led where someone knows every person in the business and knows all their kids' names and their pets' names, to, okay, you're going to be across five offices in five countries. How are you going to develop the leadership team? How is your comms going to develop and where do you need to add senior leadership?

So it's those sorts of things we're there to support with, but fundamentally, we're not trying to be operational. And I think if both sides recognise that that's not our skill set, but there are some areas we are good at and understanding when to almost… Who to have on the pitch when, that's when I think it works really well. But that's more art than science, I would say.

Russell Prior:

Thank you. Look, that's a super, super helpful conversation and real clarity there. So look, thank you. Thank you very much for that. So look, let's move on then to start to walk through what the deal timeline looks like and let's start at the beginning.

Joshua, look, with the teaser or the information memorandum, so that first piece of information, if you like, that goes out about the business and what's going on. So can you just briefly then describe what's going on in this phase? Who perhaps is involved in pulling that documentation together? And, I guess, the question that comes up a lot in the conversations I have is, yeah, actually are businesses ready to embark on that deal timeline? Are they actually ready to go? And perhaps you could just focus a little bit on that point as well, if you wouldn't mind.

Joshua Neish:

Sure. Russell, that was to me, wasn't it?

Russell Prior:

Sorry, it was to you. Yes, Joshua.

Joshua Neish:

Yeah, yeah. Thank you, thank you. I think my connection broke down. So, moving, expanding on the previous question and being additive to this one, something that's very important is governance. So, how you have the framework around you to work with other investors and talk to the market is very important from an owner-managed perspective and the transition to that.

In terms of teaser, teasers are the guys, investors get teasers, hundreds of teasers every day on businesses this size to big ones. And I would describe a teaser as the narrative that goes around the story so someone can digest a company super quickly. It’s the elevator pitch of this very successful business, and the preparation of that teaser is their advisers, us, another financial institution, really pulling out the key highlights and possibly the key risks and the growth story for a particular company.

But it takes people like me and colleagues in execution lots of time to really understand the business, understand the people, understand, again, its growth trajectory, for us to put that onto a page. Teasers are often wrong and teasers change from the start to the end of a deal, but it's all about an adviser, a financial institution, Russell, having a deep understanding of the company and what its key strengths and drivers are.

Russell Prior:

I was having a conversation with a group of business owners yesterday and this issue of the story, that narrative, that elevator pitch that you're describing there, Joshua, it was a really interesting point of the conversation for us because the point that came up was, are business owners actually really able to describe the business for a next investor or next owner, or actually are they just telling the story of what they've done hitherto? And I’m extremely interested in yours, and perhaps Amar you might come in on this, is there a mismatch around the way in which business owners are ready to tell that story to the market?

Joshua Neish:

So, quickly from me, we have a live transaction at the moment, which we've been working on since 2018 and it is a owner-managed business in a very disruptive space and he has some angel investors in there as well. The narrative, the business is relatively complex, but the narrative was also complex. Part of our job as advisers, and this company has gone through a journey of meeting private equity and financial investors once a week for the last 12 months, that narrative has been almost perfected now.

The teaser is already done to the previous question and it's really about oiling… Oiling's not the correct expression, it's about refining and perfecting that message, that teaser so everything is unified and in the same way, and communicating that to a broader audience. So it's just about refining feedback.

The other thing, Russell, is coaching. So, I need a coach. We all need coaches at different stages in life and careers, but one thing that all leaders of businesses and owners need to work through with us is culture and how to talk to a different type of people, and that's financial investors.

Russell Prior:

Thank you. Amar, let me come quickly to you on that point. Look, when you receive something and you then obviously – and I'll come on to this in a moment – but you talk to investors, do you see that gap? So, then do you see that gap in terms of the narrative as well when stuff comes to you?

Amar Shanghavi:

Thanks, Russell. Thanks, Joshua. I mean, hugely. And I think, actually, it's… The biggest gap I see, people don't recognise how exciting and valuable their businesses are, so they almost assume that you know the aspect of the industry, and a lot of the time it takes an adviser just to put that shine on it, to amplify some of the market dynamics that perhaps we hadn't realised from the outside in, where you might be a market leader, or you might have a bit of intellectual property that we hadn't quite realised.

I mean, this is a very simplistic one, but I'll give you an example. If you'd asked me about Banham locks, you'd say, "Well, there's lots of locks on the market, why would they be super valuable? Why have they got such a commanding market position?" And I might say it's because of brand, or they've got a slightly better mechanism and then you go back and you say, "Okay, it's a family heritage, it's unique, they're X per cent more expensive than market," and explaining how the business has the market position it has is really valuable, because it makes life easy for me because then I can go, okay, I understand why this business might be valuable.

And that's the trick. It's bringing it to life in as short a space of time as possible to explain why I might want to learn more. I think the biggest clue's in the name. All the teaser is trying to do is get me to work out, well, learn a little bit more. This looks, sounds really interesting, because that first document's only going to be two or three pages. And if you get that, all you're… And you're left with, "Oh, I really want to learn a bit more," then you'll read the 70, 80, 90 page document that lands on your desk the next time around. But when you've got six of those documents on your desk, you don't know which one you're going to open first, and a good teaser really drives that decision making.

Russell Prior:

Brilliant. Thank you. Look, that's really great. Baber, Sophie, you've been sitting there patiently in the background, so let me welcome you to our conversation this morning. Thank you both very much for joining us. I'd like to get a sense from you, if that's okay, when do you get involved in the transaction? And again, I'd also be interested in your view on the readiness of businesses. Perhaps, Baber, if we come to you first and then, Sophie, if we come to you straight after Baber.

Baber Din:

Sure. Thanks, Russell, and hi everyone. We would… If we're working for a vendor we typically would get involved perhaps three to six months prior to a launch of a process, so that – and by launch there I'm talking about perhaps a fuller information memorandum, which might be 50 to 100 pages long rather than the teaser that might precede that – our role could be things like vendor assist, if we're helping a seller prepare or compile a robust set of financial information to support a sales process.

Or it could be what's called a vendor due diligence, which is basically a seller-commissioned due diligence report on the business it's selling, which is made available later on in the process to potential purchasers, and it sets out our independent views on the business, its key value drivers, risks and exposures, and can help support, I suppose, efficiency for management in terms of not fielding multiple questions from different interested parties.

So it level sets a little bit and it can also help flush out issues, pre-process, for management to understand and think about mitigants or narratives around things that they might not have picked up in their business that investors would.

Russel Prior:

Thank you. Thank you, Baber. And Sophie, same question then to you.

Sophie O'Connor

Right, thanks. And hi everyone. And perhaps, surprisingly, lawyers can sometimes be last or certainly late to the process, which seems contrary when you'll spend a lot of time with us later on in the process.

So, similar timeline to which Baber's described perhaps. Three to six months, we might start getting involved in discussions with the company with a view to helping with information gathering on the legal side of things, so there tends to be a focus around commercial and financial due diligence at the outset as buyers are starting to take their first look at the business. But, of course, that does need to be backed up with some legal due diligence along the way.

So, we will typically be working in the background with the company in anticipation of getting – don't shoot me down on this one, Amar – quite a long and robust due diligence request list from a private equity firm. Because, of course, they're sophisticated buyers, they do deals so they know what they're looking for when they come into a data room and want to have a look around. So, we'll be helping the company pull together information, be that corporate structure, HR information, real estate, insurance, commercial arrangements, and everything besides.

Whether or not we do a similar exercise to the financial or commercial side on a vendor assist or a vendor legal due diligence report, we might consider that, whether it's a very competitive process, whether it's more likely to become a bilateral sale. But I think Baber's point is a good one. Getting points on the table that we need to be aware of on the sell-side sooner than later, whether or not we're documenting that enough or the vendor report, I think that's probably where we focus our time early on as the lawyers.

Russell Prior:

Brilliant. Thank you. That's great and good to hear that point in the journey, as it were, that you get involved and that actually being early in the process is so helpful. So, Amar, we're going to skip on a little bit now. Let's jump down the journey a little way. So you're in receipt of an information memorandum. Can you outline briefly, if that's okay, what do you do? How do you assess it? How do you respond to it? What's the process then that you go through?

Amar Shanghavi:

Yeah, look, I think we all obviously read the document and understand the salient points of the opportunity, whether it's the business, the market it's in, and the people around the deal. I think, for me, the most important thing is understanding the nature of the process that's being run and the opportunity to spend time with the key people around the deal.

So, I'll give you an example. Some people will send you an investment… Information memorandum and then ask you to send an offer letter in without having spent any time with the team. That's really challenging, and to be honest in those processes, we don't spend lots of time on them. Whereas if someone's saying, "Here's an opportunity to meet management", three months before the information memorandum comes out and then you're meeting them again when you've had the benefit of that document, and by the time it comes to putting in an initial offer, you've got the benefit of hearing the story from them, having then brought it to life, and then walk you through why the opportunity is really exciting, that's where we get really excited, because you can feel the opportunity from the people who actually know about it versus their words on a page.

So for me it’s getting the salient points of the deal and then trying to find a way to spend time with management to understand really the opportunity that is being presented.

Russell Prior:

Thank you. And I'm going to come back on this issue of assessing the quality of management. I think it's a really important one, and I'm sure a lot of our audience today will be interested in how that process plays out. But before I do, so Joshua, if you're working with the vendor, Amar, other PE houses, they're responding, what do you do when you get those responses back? How do you then make that assessment of what you're getting back, and how do you work with the vendor on assessing and responding to those?

Joshua Neish:

Sure. So, obviously the universe of potential interest is clearly very broad. And when you have expresses of interest back, that is going to be a refined list. But, those expresses of interest, nine times out of ten, will have been part of that broad funnelling exercise that we will have done when talking with management.

Then it's really a discussion to get feedback from each of those individual investors and communicating that to the vendor. And then have an open discussion, so let's assume, let's make the assumption here that the vendor has already met all of those people. That would then be a very open discussion on management's views on those possible investors.

And then, we as an institution, being additive to our views on that firm outside of the specific transaction. And, Russell, what do I mean by that? I mean, where is this firm in its lifecycle and how possibly could that impact the behaviour of private equity with this specific vendor? And taking into account certain things in the market that we think should drive the vendor's decisioning on who they want to partner with.

Russell Prior:

Brilliant. Brilliant. No, thank you. Thank you. I'm going to obviously come back to the couple of points I just mentioned in a moment. Before I do, Baber and Sophie, you also, I know, work sometimes on the buyer side for some of these deals. Could you just perhaps give a quick reflection on your roles when you're on that side, what some of the issues are that come up that you see and how that differs in a sense across the two sides that you might work on. So, again, Baber, let me come to you first.

Baber Din:

Sure, I mean, typically the focus areas will be the same, but if we're doing buy-side diligence, it'll either be because there was no vendor or due diligence commissioned, or typically a buyer will hire their own advisers to just review and critique a vendor due diligence report to help them form their own views.

So the work areas are broadly similar from a financial and tax side. It's really understanding the historic and current financials, a really forensic interest on revenue growth and what's actually been driving it, looking at a normalised sense of EBITDA which will drive views on valuation and the amount of leverage that would be appropriate to go into the business, and have the current trading built into the projections.

A lot of this is about checking that the numbers are robust, have integrity, and really that numbers match the words that might be in the information memorandum. And then a bit more hygiene factor. We will look at the balance sheet in terms of quality of assets, financial indebtedness on the balance sheet, which is typically going to be a deduction from the enterprise value a private equity investor would put on your business, to arriving at the equity value that you get in your pocket, and also looking at things like the working capital cycle of your business. It's… Topic areas, broadly the same. But I guess how we get to it, slightly different. Sophie?

Sophie O'Connor

Thanks. Again similar on the legal side. We might be tasked with reviewing some diligence we've already been provided with, or we might undertake our own. I guess the difference from a legal perspective is perhaps the fact that unless and until we, as a PE firm on the buy-side, know we have a very firm deal, we might undertake a more focused due diligence, legal due diligence exercise and scope the additional confirmatory due diligence that we do later on in the process.

So if I was on the buy-side, accessing a data room and looking at information, I think I would be going straight for what I would call the crown jewels, so are we basing our value proposition on this proprietary software or an exclusive distribution arrangement or something that's called out in the early-on marketing materials? So, if that's called out and that's what we're basing our valuation on, I'm going to be quite focused on looking at that.

And then the second aspect I would be looking at from the outset is on a corporate structure, who owns the business? What does the cap table look like? Because that goes to execution from my perspective as a buyer. Who is selling and who is selling what? And how is that going to impact my transaction timetable, but also what the structure might look like in the new world? Amar mentioned roll over early on. Perhaps we'll come onto that in a bit. But, understanding deal dynamics and structure, I think is where we spend our time as well.

Russell Prior:

Super helpful, thank you. It's great to… And thank you both for sharing that. Great to see the, as it were… Whilst it's common areas of focus, actually the different perspectives, looking at it from the other side.

So, I want to come back now to this issue of the management team and assessing the management team. At the end of day, I guess, it's the management team that are going to drive the business results for you going forward. So, it's going to be seriously critical.

So, Amar, perhaps Baber as well, how do you get to grips with this question of assessing that the management team company has and, Amar, in some of your comments earlier on, one of the things you said was a little bit about helping perhaps to shine a light on where they might want to build out that management team or strengthen that management team. Could you give me your thoughts on the process you go through when you're thinking about that?

Amar Shanghavi:

Yeah, sure. And look, I think, as often minority or partnership investors, this is actually part of the most important thing we spend lots of time thinking about, and clearly it's a judgement call rather than something you can spend lots of time diligencing. It goes from the very first meeting, the feeling you get, we do do the odd bit of psychometric analysis and the way we… What we find is that it's really good for assessing whole team skill set. And often you find that a team leans one way and there's a gap that you need to fill, and you could use that to help determine who you need to add to the team rather than judging the people.

But actually, the most… And this is probably more… The most important thing we see is buying behaviour. So, for the people who are telling you there's a massive opportunity but they want to sell all of their value, it tells you something about what they think about the opportunity. Whereas if someone says, "I want to roll 80% of my value, but I need to take a small amount off to pay off my mortgage, but actually I'm rolling most of my money. And by the way, I could sell it all now if I wanted to," that's really powerful and that's really backable, and the best deals are the ones where the key people around the deal are demonstrating that they back their own plan. And to be honest, that's the way life gets really easy, when you need to back this certain set of… If you want to back these people, but as you say, with the one test that we often talk about internally is the Friday night test of when the phone rings on a Friday night and it's the CEO you've backed, do you pick it up because you want to speak to them because you like talking to them or do you not, because you're like, "Oh, God, I can't do that now. I'm going to do that on Monday"? And we often tell people to think about it vice versa.

Because I mean, rightly or wrongly, when we pitch, the people who are in the room pitching are the people who are going to go on the journey with you, and they're going to be the ones who join your boards, they're going to be the ones who go on that journey. When things don't go so well, they're the people you're going to have to call. And if you don't pick my phone up on a Friday night because you don't like me as an individual, that's not great for either side. So that's probably one of the exam questions we ask ourselves. But, so the buying behaviour always makes life easier for us.

Russell Prior:

Brilliant. Thanks. A great, great inside thoughts. That's really, really good. Baber, let me come to you, and you also mentioned that bit about leverage in there. And I guess one of the questions, and Amar's talked about that a little bit in terms of the stake and what have you, where and how do you see that dynamic about the stake, the investable amount? How does that play out? And again, I'd be interested in your thoughts as well on the management team assessment.

Baber Din:

Sure. Thanks, Russell. Why don't I start with the management team piece to just build on where Amar was and we can then move on to leverage. Look, private equity firms, exactly as Amar said, will form their own view on management team, and it is a mix of performance, cultural fit and so forth. But they will invariably ask us for our views given we're deep into diligence and typically we do have views.

We won't always write them down in our report, but we will share a feeling. And for us, the feeling really emerges based on our sense through asking management questions about their business. Do we get a good feeling about the sense of grip and understanding that management have on the performance of the business? And I go back to the phrase I used earlier, do the words match the numbers? Does it make sense? Do you get a real sense that they understand what's driving their business? It can also be things where there are understandable gaps, and it can just be part of a bit of post-transaction planning to fill those that are quite often owner-managed businesses will rely very heavily on their own advisers for things like tax.

So, it's fine if the CFO doesn't have all the answers on all the myriad of tax issues that might be out there. They've got advisers. It might be as the business scales, there's a plan to in-source some of that capability. So, I think it covers those dimensions. And then on leverage, really important as Amar suggested, private equity do a whole bunch more than just adding leverage into a business.

But for equity holders, the right amount of stable leverage does improve returns. So it is important from our perspective, lenders will want to see our diligence report. They will want to see the normalised EBITDA that we've presented to help them conclude on what their view is around the structuring EBITDA they would lend against. Is it four times EBITDA or five or six times? In current markets it's trending down a little bit, but their focus really on our diligence report, which they'll typically get later on in the process, will be around forming their view around EBITDA, understanding cash conversion and therefore the cash flow available to service that debt that might go in, and understanding any other balance sheet indebtedness that they need to be aware of.

Russell Prior:

Thank you very much. And Joshua, let me come now to you because we've had a good discussion about what goes on in this phase. But I guess at the end of the day, the vendor is going to have to make a decision about who they're going to go with, assuming they're going to proceed.

So, what happens typically in here? Is it in a sense, a question of competing bids on the table, or has it become quite clear by this stage that actually one house is really the one to go with? What's – and I know typically it's a difficult thing to throw into the question – but what dynamics do you see at the stage when that decision needs to be made?

Joshua Neish:

We've covered point one, what I would mention a lot, and that's strategic fit. Do I want to be working with this partner on the terms that they've set out for the next X amount of years in my life? But that's really going to be driven by if it's a full buyout or if it's a minority transaction. So that would drive, obviously, the decisioning around the specific firm.

The key thing we can't get away from is price. And as advisers, our job is to create enough competitive tension, the best price, the best terms and the best strategic fit is on the vendor's… Is in the vendor's lap to go forward with. And I wouldn't put any of this stuff down to chance.

If you look at the funnel, possible buyer's universe, all the way down to who's last people standing, that should be known and based on what the vendor wants, where they are strategically, that should drive the decision rather than, "We think firm X is better than firm Y." So it's very specific on a set of circumstances, and, of course, you can't take away price.

Russell Prior:

Very, very fair comment. So let's now move on then. Let's make the assumption now that the vendor has identified which PE house they're going to move forward with. And so, once that decision is taken, I'd like to now move on to what goes on in this next phase and I guess, Amar, from your perspective, I'm just interested, but then I’m go to go to Baber, Sophie, if I come to you because I guess there's going to be quite a lot of work involved in taking the deal forward to signing. But, Amar, from your perspective, what happens next from the PE house perspective?

Amar Shanghavi:

Yeah, sure. Look, to give you an insight into how private equity funds make a decision, for example, you have people like me who are out leading transactions, meeting teams, building an investment case that says, “I think we should invest in this business and these people on these terms for these reasons,” and with this information, typically my investment committee, who are my colleagues, will be supportive or not, and if they're not, then I wouldn't have sent my offer letter in, but typically they would be.

And I think one of the things to ask, for example, in your coffee meetings is how that decision making process works? Who is on the investment committee? Where do they sit? For example, our committee sits predominantly in London, I'm talking to them every week outside of formal conversations. So it’s very rare you have a surprise at one of those meetings.

But then, what will happen is we’ll have sent our offer letter in, it’ll have… Saying, “Here's all the work we've done, here's what we are, here’s the deal we'll be up for doing, and here's a final few things we need to do,” and typically this is what I would call confirmatory due diligence. It'll be with all the things that we haven't been able to check yet, but we'd like to just check, and it's rare for those to be deal critical because you don't want to be going to exclusivity with those sorts of issues out there.

And then, probably, the next work stream, which I might just hand over to Sophie, is we would have probably given headlines on legal terms, but they need to find their way into long form documentation and that step is often quicker for us than it is for the shareholders, because they won't have seen many of these documents before and getting them comfortable with certain provisions that typically a private equity fund can take a bit of time. So I might just pause there and hand Sophie a bit of a hospital pass.

Sophie O’Connor:

No problem at all, yeah, I think it's fair to say this is probably where you'll see perhaps more of the lawyers than you ever thought you wanted to by the time you get into exclusivity.

So, I think we've not really touched on transaction documents. We’ve focused on due diligence, but of course we and the lawyers would expect to be working up transaction documents in the background in parallel to the process that's going on, and to Amar’s point that there will be concepts, provisions in documentation that perhaps sell-side companies are not so familiar with.

If we find we do have some downtime in process between due diligence, rounds for questions, management meetings, we always try and spend time with management teams early on in a process saying, “Look, this is how the documents are going to be set up, here are the concepts that you'll see in the transaction documentation.”

I like to think about it in three buckets. So the sale documentation, what you're selling, what you'll receive in return, do you have any liability under those arrangements? The second bucket is the equity workstream that kicks off a bit later. And I’d describe that as the new world arrangements where you might have your rollover interest, that deals with governance of the business going forward, so who's sitting on the board, what controls are there at shareholder level, but also any equity incentive you might have in the new world. Think about that in terms of what you're getting, how do you get it and how might you lose it? Some of the topics we talk about.

And then the third bucket is employment or consulting arrangements going forward as well. So, there are three quite in-depth workstreams that we'll be talking to about management along the way as we prepare documentation. But in the exclusivity phase, that's when it really ramps up in terms of the back and forth between the sell-side and the buy-side.

Russell Prior:

Thank you, Sophie. That’s really, really clear and it’s fascinating because I've been with some business owners through some of our events over the last few weeks who've been going through this documentation process, and they have said, “Look, just the sheer weight of documentation is quite something.” And to your point about preparing, I imagine that's preparing for what's coming. I imagine that's hugely helpful.

But, at the end of the day, there's an enormous amount, I guess, from the deal of the discussions to be captured into the documentation. I mean, how long typically do you see this, Sophie? How long do you typically see this phase of work taking?

Sophie O’Connor:

It's always a negotiation as to how long you put in your exclusivity letter. Are you giving two weeks? Or are you giving eight weeks? And how long do you realistically think it will take? I would say a period of three to four intensive weeks to finalise documentation. I think that would be finalising transaction documentation, allowing time for confirmatory due diligence.

The other workstream we have not mentioned is disclosure. At some point the due diligence process becomes a disclosure process which is sell-side’s opportunity to say in relation to certain statements that they're being asked to stand behind, “Actually that's not quite correct. We need to tell you, investor, about X, Y and Z.” Because, of course, the investor can’t always ask questions to cover the things they don't know about and the reason we mentioned disclosure as a process is it's a really important risk management tool for the sell-side.

You'll hear people talking about whether or not transactions are going to be insured transactions, where you can pass off some of the financial risk to an insurer. However, that doesn't absolve you of the responsibility of still going through a fulsome disclosure exercise. So, it’s transaction documents in parallel with disclosure, and we really try and close down these before then if we can, but there will inevitably be some confirmations to be done as well.

Russell Prior:

Thank you. Thank you. That's really clear as well. One of the other conversations we've had with business owners thinking about this or going through the processes is that very often the focus of the management team can shift into a lot of what's going on through the process, and sometimes the performance of the business can take a bit of a shift or a change.

Baber, perhaps you and Amar as well, what do you see typically going on here and how do those sorts of things get handled? Are your adjustments made in the process around some of the effects of some of these things?

Baber Din:

Thanks, Russell. I mean, typically I'd say when you enter exclusivity or in the even post-signing, pre-closing period, you won't typically see any adjustments to the headline enterprise valuation on the business. If current trading has taken a sharp downturn, then I think an investor will try and understand the reasons for that and they might then change their view.

But typically, by the time you enter exclusivity, there's a lot of firm conviction built up into the top line in trading performance view of a business. So typically here there might be bits and pieces around how you get from enterprise value to equity value and a bit of debate between the parties on what is a net debt adjustment and what isn't? So you have a bit of that back and forth, but again, as Amar said, it’s not deal-breaking stuff.

I think all investors, I think, do accept that a transaction process for an owner-managed business does involve some degree of distraction from the day job. But typically, I tend actually not to see that then manifesting itself in a deterioration in trading performance because good businesses will be ticking along with really great client bases and products and propositions. Amar?

Russell Prior:

Amar, yeah, Amar.

Amar Shanghavi:

Yeah. Look, I completely agree. I think, big picture, your M&A adviser if they're any good, and I'm sure Joshua would say this every time, whatever you do, don't let trading slip, because I guess it's a confidence thing, okay. And often it's… A lot of the time we're being asked to believe, believe in the plan, believe in the team, believe in the predictability of the business. And you've written all of this documentation to say the business has really predictable revenues, you can forecast well, predictable cash flows, and then the last month of a deal or the first month after the acquisition, you miss your numbers, you're setting yourself off on the wrong foot.

So I think, bizarrely, the biggest secret is good trading solves most problems and you can get your head out of most diligence issues if the business trades well and most issues look a lot bigger if suddenly trading starts to go south as well. So that's probably the biggest headline, but I actually think if that's a concern and, look, all transaction processes are distractions and it's the biggest… It's the toughest thing to manage and your day job will look a lot easier after the transaction because you'll have suddenly all of your time just to focus on trading, is think about the preparation.

So, as you're going into one of these processes, thinking about how dependent is the business on the shareholders, the key people around the deal, and can you reduce that dependency six months before a deal, 12 months before a deal, because in many ways, it will go to value because I guess one of the emotional things – and I'm slightly off topic here – it's like one of the emotional things we ask ourselves is, am I comfortable giving the person who the business is dependent on that much cashout in the deal? And is that going to change their behaviour after the deal? And again, I know I'm off topic, but actually trying to reduce the dependency on key people goes to value and it should hopefully support a stronger valuation for all the business in the first place.

Russell Prior:

No, look, thank you. That's a great point. And actually it leads neatly onto what I wanted to just move on to next actually.

So look, thank you for your inputs on what goes on through the deal process. I wanted to just take a quick look in the last few minutes before we move to questions about the post-signing position. So, look, the deal has happened. It's signed. I'd be interested in perhaps a quick quote from each of you on what should it feel like to the exiting business owner completing a deal, but actually in practice, what actually do you see as the sum of those emotions in that immediate post- signing phase?

Joshua, let me come to you first on this. You're probably the one, from a bank perspective at least, who's been working most closely with the vendor. What do you see typically at this stage?

Joshua Neish:

If everyone has done their jobs correctly, everyone's been transparent and the business plan is in line with what the financial investor was investing in, it's fine. When things aren't quite rosy post-transaction is when there's been mismatch in either party's understanding of the situation. So, I have heard of people having a lot of cashout, to Amar's point, and people driving up to people's offices in green Lamborghinis, and I don't think anyone in that transaction expected that to happen.

So, I think good advice and clarity from the adviser, clear partnership and investment approach from private equity, and a clear business plan from management, and expectations all being on the table leads to an expected outcome, and very little surprises.

Russell Prior:

Fair comment. So, Sophie, you in your role, you will have put a lot of the legal work together, and of course the last thing anybody really wants to do immediately post-deal is be sifting through the documentation, looking for legal clauses on this, that and the other. What do you see in this space?

Sophie O'Connor:

Yeah, it's an interesting question. I think the immediate feeling or my impression is just overwhelming relief from from sellers when a deal is done. I can think about deals, particularly a deal I did that was due to sign, quite literally due to sign, overnight at the same time as the Brexit referendum was taking place, and you can imagine that deal did not sign immediately the very next day and there was an emergency IC meeting and we were stonewalled by the PE investor for a couple of days, and then things happened a week later. And so in that situation, and it had been a completely serene process up until then, so things can go sideways right up until the last minute. And I think the overwhelming relief of getting the deal done, but being able to get back to your day job, and frankly doing, running your business.

I completely agree with Josh that expectations need to be aligned on day one. I can think another deal example where we had two 50/50 founders exiting a business, and it was very clear from the outset that one would be taking more of a step back and one would be taking more of a step up, and had a particular project that he wanted to grow, area he wanted to build out into. Valuation expectations were satisfied across the board and that ended up being a wildly successful exit for the one founder and proposition for the new investor. So that was the good news story.

I think post-signing you can see – I think issues is too strong a phrase – and I'd describe it perhaps as growing pains, and we touched on it earlier where you've got entrepreneurs that are not used to having to put their hand up and go, “Oh, can I do this or can I run this past you to your PE investor?” So I think getting used to being in that more formalised governance environment, we talk about… We have a long list of controls and documentation, hopefully you never need to look at them, but just the growing pains of getting used to that is a slightly different discipline. But I haven't seen any, touch wood, great fallings out about that so far.

Russell Prior:

Great, thank you. Baber, any perspective on this one from your role? Or do you tend to exit stage left quite quietly?

Baber Din:

We always exit stage left quietly, but I think I guess I'd echo what Sophie said. It's, and actually goes back to what Amar and Joshua said, is you've got to find the right partner for you. And we have examples. I have them,chat to chief execs about it who've done a deal, and it's an adjustment period because they sold to private equity, they're continued in the business because they were key to it.

It's a really exciting phase of having incentives massively aligned and a new plan, and hopefully more capital to invest in your business and access to hopefully new insights. But it does mean at board meetings you get a hell of a lot more questions than you did before. And you might get an email with another 50 questions after a board meeting.

Again, these are typically things, as Joshua said, as the more wobbly trading is, the more questions come and the more plain sailing it is, the more benign it is. And that's why having that trusted cultural fit is important. Otherwise there can be a period of adjustment to the increased, I suppose, scrutiny and, as Sophie said governance, decision making powers, etc.

Russell Prior:

Thank you. That's great. And Amar, last but by no means least, I guess, you're now… This is in a sense the start of the real journey for you as a PE investor in this. What do you see in this?

But also, I guess, in that next phase are business owners, do they immediately pick up the reins and run forward with the plan? Or, do you see some, as this been made clear by some of our panellists, some of these adjustments as people get used to that new model?

Amar Shanghavi:

Yeah, look, I think it's very dependent on the nature of the deal if people are transitioning or if this is really growth investment to execute a plan that people have been trying to execute for a lot longer than the deal has taken to get done.

And I think the first scenario I find really interesting, and I think where you start and what's the emotional reaction you often see, I think actually it's bittersweet where people have spent 15, 20 years of their life building a business, and there's often a feeling of, "Oh, is that it? Am I now no longer part of the business?" And I think the important… The right partner will value a founder, even if they're taking a step into a non-executive role, because they'll be the best supporter, challenger, non-executive support for the business that's there.

But, to come back to your second question around what happens post-deal. Typically, everyone's delighted to get the transaction admin out of the way and just crack on with all the things that have been talked about during the process.

Now the best thing I think about all this diligence you have to go through, and by the end you will have fallen out with all diligence providers, you'll hate them all, you'll find them all like, "You guys don't get it," and I promise you, you'll be frustrated with the whole process. But, the best thing you get is a feedback loop from 10, 15, 20 private equity investors who have made money before in similar sectors, a whole bunch of different providers who've seen other people in your sector and fed some of that back and ask questions accordingly. And you're sat there with some great reports which give you lots of strategic value.

So hopefully with the part that you've now picked, that's crystallising into a plan that you'll just want to crack on and do, whether it's going into that new geography, or finding that acquisition that you think is going to transform your business, or investing in that new product. That's what everyone wants to get on and do.

And, probably, the one thing we've learned through 30 years of private equity, is the earlier you get the big stuff done, the more time you've got to deliver the value. So the earlier you get that transformational acquisition done, the more times you can go and integrate, drive some synergies perhaps, or do that next thing. So actually that first year is really, really important, making sure by years three, four and five of the journey, you've done all the things that you wanted to do.

Russell Prior:

Thank you. That's a really great summary and a nice way to end the, as it were, the moderated part of our session today. We have had some great questions coming in which I'm going to turn to now in the last few minutes.

Bu, one question that has come in and perhaps Joshua, Amar, perhaps might come to you with this question, but have we seen changes in focus of PE houses or for PE deals given the focus on net zero, sustainability and ESG? How have those trends affected the outlook for the PE market and the views of PE houses? Shall we come to Amar first? Joshua to follow on.

Amar Shanghavi:

Yeah, yeah, hugely. Look, I think our investors have rightly tasked us with not only delivering returns for their capital, but also to be investing in environmentally positive industries. And there's legal frameworks that we signed up to, for example, we're members of the UN Principles of Responsible Investing, our fund is an Article 8 Fund, so we have to be seen to be investing in ESG positive sectors and also improving the investments through that journey. It's a core facet.

But I think, fundamentally, there's a great alignment now whereby it's the right thing to do and it also goes to value. So businesses with a better ESG story are just fundamentally more valuable because there's more people with capital, people like me who would benefit from investing in them. So it's this great virtuous circle whereby if you can tell a great story about the business' impact on the environment, and this is not… There's an element of inward looking of, what are we doing around carbon? Have we got the right governance in place? Have we got a diverse team? But also, outwardly, what's the business actually doing in the world? And is that an ESG positive thing to be doing?

Look, it's ever increasing. Since I started in the industry it's just become more and more and more prevalent, and I think it's never too late to be spending time thinking about this topic.

Russell Prior:

Joshua.

Joshua Neish:

It's a compliment both for the company and our financial investor side, the importance of whether it's the industry you're in or your strategy around policies on the 'S', so the social aspect of ESG, or drivers for valuation.

So, you've taken what the coal mines trade at, vis-à-vis an ESG start-up, it's night and day. So, this stuff's real and public markets adopted certain practices first, but now it's really critical to exit considerations for private equity when how they are set up from an operational perspective across environmental, social and governance.

So, we talk to finance investors and companies about the drivers for their business across those three aspects often. So, it's critical and it's part of the whole valuation discussion and the sustainability of the business model.

Russell Prior:

And Baber, perhaps let me just come to you as it just occurs to me, I guess, and perhaps Sophie as well in terms of the documentation. But Baber, in terms of the due diligence you do, is this increasingly, I guess, a focus for you in terms of what you're looking for when you're doing this due diligence on firms?

Baber Din:

Yeah, I think it's… I'd say increasingly so, but probably still early stage. We do have a separate ESG due diligence team who are increasingly being hired and stuff. I think a lot of this has been driven by asset owners, so the limited partners who effectively provide the capital to the private equity firms to invest. I think for them, ESG is quite high on their priority, and I think, as Amar said, I think it will end up being a self-fulfilling prophecy because people will place a value in ESG, therefore it will have a value.

Right now, there might be some degree of competitive advantage. I think ultimately, certainly within Europe, I think the US is a little bit further behind, but I think within Europe it is increasingly important. It is something we do diligence on both pre-deal, but also we're doing work with private equity companies who have a portfolio, who want to go through their portfolio, which obviously they'll ultimately end up exiting, and form a view on how a new owner of the business would interpret the ESG compliance question.

Russell Prior:

So, that's really helpful. Sophie, does it flow through to the documentation? It occurred to me as we were following this path.

Sophie O'Connor:

It does, and the exit point is an important one as well. So, we would look at ESG, I completely agree, on the sell-side. I think largely deal due diligence will be driven by investor requirements, as Baber has described. The capital providers will have their own ESG metrics that they need to report on.

So they will pass those on to the PE firm and that will typically find its way into transaction documentation as an obligation on the company to be providing information on a rolling basis going forward, by reference to certain metrics. I think the issue in ESG at the moment is there is not a… There are the UN principles, there are other stated requirements, but there isn't a common parlance around what are ESG metrics at the moment. So we're all learning a little bit as we hear about investor requirements.

But I think, if we're looking at investments that are taking place now in the next 12, 24 months, will they need to be exited in four, five, six years' time? And you can bet when you get to exit, someone is very much going to be paying attention to the ESG requirements. So, having an eye on them now is absolutely critical, I would agree.

Russell Prior:

Super. Super questions, super answers. Thank you. I've got another one here. Another interesting one. Perhaps again, Joshua and Amar, do you see a difference in, as it were, readiness or suitability for PE between founder family businesses and non-family businesses? Is that something that differs in terms of attractiveness of firms for this exit route? Amar, let me come to you first, then Joshua, please.

Amar Shanghavi:

Yeah, yeah, sure. Look, it's hard to totally group different shareholder bases, but I think, look, typically, if we're the first institutional capital into a business, there's often a bit of governance and a bit of maturity that is just what we would call quick wins.

The good thing is that's usually, I think, it makes the investment more attractive, because you just know that you can just add a bit more value with a bit more structure. And I mean, the obvious areas are is there a regular monthly board meeting, are there regular reporting around trading on a monthly basis?

And that's all hygiene factors, and often those are in place, but the bit we can add lots of value quite quickly is around CRM systems, for example, ERP systems, these are just a bit more technology to help the business become a bit more automated and scalable. There's always quick wins we see, but I think – and probably the final piece and I'll hand over to Josh now – is just around data.

So often we find that the business is doing lots of great stuff, but it can't prove it in the data that it reports on. And having that data makes our jobs really easy to invest because you can see in the data rather than just hearing the words. I might just pause there, Josh, if you want to do those first?

Joshua Neish:

Yeah, from discussions with Amar and his peers in the market, there's no preference to family and non-family owned. People are very focused on the quality of the business and the quality of the people. And to Amar’s point, then some of the quick wins or putting in place quite standard stuff for businesses to have financial investors behind them just runs its course. So the focus really is quality of business and earnings and all that good stuff, and then the quality of people.

Russell Prior:

Brilliant, thank you. I have one question, some interesting news in the week about conversations in the press, political party conversations about the PE industry. I mean, looking forward out over the next period of years do we see the PE market still being a strong market going forward? Maybe Amar first on that one.

Amar Shanghavi:

I was wondering where you were going to go with that, Russell. Look, I think that our industry relies on founders and owner-managers, and entrepreneurs building great businesses, and us being able to be in a position to invest behind them and hopefully add some value along the journey. I don't think that's going anywhere.

The broader asset class continues to have successful returns, our pension funds, our life insurers are all benefiting from it, and it's a virtuous circle because typically we're all actual beneficiaries of those investments. So I think the industry is going to be fine.

I think the biggest thing we spend time thinking about is what the macroeconomic environment is going to mean for our investments. So that fundamentally is, what's the recovery going to look like? What are interest rates doing? What are our partnerships… International policies going to be for the UK post-Brexit? And all those things.

But I think, big picture, I think we remain super bullish, but we rely on great owner-managers and entrepreneurs continuing to take those risks and build those businesses.

Russell Prior:

Well, that's a great summary to finish on. Look, we've got one or two questions in there that we won’t quite have time to answer today, but actually I think they've been covered in large part by a lot of the remarks earlier on.

So, to our panellists before we finish, I just have one question that I'd like to pose to you and I'd just be interested in your thoughts on this. There’s been some great, great, great insights this morning, I think, for our audience, but if you were an owner-manager and you were there looking to sell your business to

PE, knowing what you know, what's the one key piece of advice you would give yourself around that process based on everything you know?

We'll do this in reverse order from how we started, so Sophie, you said you're often at the end of the process, so I'm going to come to you first on this one if that's okay.

Sophie O'Connor:

I might have two, but I'll go with one to start with.

I think the critical one perhaps is cheating is one we've already touched on. Being clear on your motivation for the transaction, is that you want to take a step away and realise as much value as you can, and go and live on a beach and take up an exec chairman role? Or is it you've got a growth plan and you're excited to be with the business, but you need – I think Amar made the point earlier – some money to take off the table and pay off the mortgage and see you through the next step.

I think we have many conversations where perhaps the motivation is not clear, or changes during the course of a transaction. It's somewhat surprising, and those are perhaps the less successful transactions, shall I say, than where someone's very clear about that upfront.

Russell Prior:

That's great. And thank you for that because that's a comment that we say a lot when we're having our conversations with business owners. That clarity of objectives and purpose is absolutely critical. So thank you. Baber, let me come to you next.

Baber Din:

Sure. I mean, I would say if you're not someone who's exiting and if you're completely exiting, then typically it would be just go for the biggest cheque, run a competitive process and just think about, I suppose, the legacy of your business under its new owners, so pay a little bit of attention as to what they're going to do with it and how they're going to grow it. Because it was always something you've created, and most founders I know really do care about where a business is going to go.

If it's a business you're staying with, I think the most important thing is know and like the people who are going to be your new owners and partners, because you will be spending an awful lot of time with them, in good times and bad. So really having that cultural fit and rapport is really important, especially when tricky issues come up, which they do over a three to seven-year time period.

Russell Prior:

Brilliant. Thank you. Amar, thoughts from you and then I'll close with you, Joshua.

Amar Shanghavi:

Yeah look, it's a really, really similar one to Baber, actually, which is these processes take up lots of time, you read lots of paper, there are lots of advisers on both sides, and just don't forget that you'll have typically built your business by spending personal time with key people and trusting your gut. And at some point in this process, you're going to need to do that, go and have dinner with the people you want to win this and spend some time with them because there's the off letters and all the other things flying around, legal documents and all those pinging things back and forth, and fundamentally, when the deal is done, they're all going to go away and you're going to be running the business with the partner you've picked in that style. So make sure you find the time during the process to go and have that dinner or have that drink or do that one final meeting and ask the questions you want to ask, directly face-to-face, because that… there's no replacement for that sort of engagement.

Russell Prior:

Brilliant. Don't leave, as you say, don't leave any unasked questions out there. And Joshua, a final thought from you on this.

Joshua Neish:

I think business owners and founders need to remember that usually they're the smartest person in the room, and they're the reason why we're all here. So they need to back themselves, but at the same time go and see, go and meet people and spend time with people, and that will allow you to form with your advisers who you think you should partner with going forward.

Russell Prior:

Brilliant. Thank you panellists, Joshua, Amar, Barber, Sophie. Great conversation this morning. Thank you for sharing your views and your thoughts. I've really enjoyed listening to you and being part of that conversation, I'm sure our viewers have gathered some great, great insights. For our audience today, look, I hope you've enjoyed this session and the discussion.

If you have any feedback for us, there is a 'share feedback' tab that you can use to complete and share that feedback with us. Obviously, if there's anything from today's conversation you've found particularly interesting or want to know more about or you'd like to speak to one of our experts, please do take the opportunity to get in touch with your HSBC Relationship Manager.

And finally, a plug, if I may. As I said at the beginning, don't forget to sign up for our future Beyond Business Ownership webinars. The next webinar is coming up at the end of next month on the topic of Selling to Management or Employees. And I'm looking forward to another great conversation.

But for today, thank you very much to my panellists. Thank you to our audience. Have a great day.