

The AngelNews Interview

By Modwenna Rees-Mogg

Philip Marsden joined Vantis in 2003 from 3i where he was Deputy Managing Director of 3i Corporate Finance and 3i's divestment specialist. He has completed over 70 M&A transactions. At Vantis he is responsible for the Corporate Finance team and as a result sits in pole position to understand companies and support them as they overcome the challenges they face.



Vantis plc is quoted on AIM and has achieved significant growth in the last 6 years both through organic expansion and acquisition. It specialises in providing proactive advice and support to owner-managed and private-equity backed businesses and private individuals.

We started our interview by asking Philip about Vantis' own growth in recent years.

Please tell us a bit about Vantis' strategy and what has been achieved by your firm as a result of this?

We are an entrepreneurial firm, evidenced by our own flotation, the successful integration of our acquisitions, and our ability to attract a stream of high quality recruits which has added to our organic growth. We appeal to entrepreneurial individuals and businesses that want a like-minded business adviser.

What lessons have you learned from combining organic growth with an active buy and build strategy?

Organic growth is easiest and the first priority. You then infill or create new services, to reach critical mass quicker, by acquiring and recruiting judiciously. You have got to have the resources in place in advance to plan and manage the integration of acquisitions. Agreeing the financial price for an acquisition is one thing, but capturing 'hearts and minds' of the people, and structuring the payment of the price and ongoing rewards to achieve this, is the key thing.

Vantis is much bigger than it used to be. What has changed?

We are now a top 13 accounting firm. We are three times the size of when I joined. We have a full service offering stretching from accounting and specialist tax to financial management, business recovery, and of course corporate financial advice – my own field – and many more. We also now operate from 18 locations across England.

Corporate finance skills are pretty specialised aren't they? What should AngelNews companies understand about how corporate financiers can help them?

The term 'corporate finance' covers everything from advising on acquisitions and disposals, to fundraising for growth, acquisitions and MBOs/MBIs, as well as due diligence investigations prior to acquiring or investing. It is important to work with a corporate finance team that focuses on working with your size of business so that you will get time from their A team not their C team.

Is valuation a science or an art?

I think too many people like to pretend it is a black art, when actually there is a lot of science to it. The 'art' part is the gut feel and emotion you have to apply, standing in the shoes of the potential buyer, once you have come to initial conclusions based on the science.

Please could you tell us a bit about your current clients

We work with a lot of companies looking for private equity and debt financing for growth and acquisitions, as well as for companies who already have funding and want to expand to the next stage, or arrange their sale to their management team or a trade buyer. This means that we have an increasing number of small client companies in currently difficult sectors, like the building and food industries, who are looking to buy competitors who are in dire straits.

We have a client in outsourced business services who has just been through an insolvency but survived and we are now preparing a business plan with him and will raise equity and asset-based lending for him. There has been an upturn in the number of small (sub £10m) MBO opportunities for management teams. We have several clients in still-good sectors like parts of marketing services, or business services, which we are selling. Although the level of M&A has dropped markedly this year, the private equity houses, with whom we work all the time, are hungry for good investment propositions and we are doing a lot of due diligence reporting for them before they invest.

As a result of your time at 3i and now acting as an adviser to some of the UK's most exciting young companies, do you feel you can tell which ones are going to be the winners?

I think I can get the direction of likely travel, upwards or downwards, right most of the time but the extent of that travel is very difficult to predict, because over a period of years so many events outside the control of the management teams will impinge on their progress. At 3i I learnt that nearly all start ups take twice as much funding and take twice as long (hence the doubling of funding) to achieve their base plan, though tragically probably 1 in 3 fall by the wayside, and another 1 in 3 never reach their base plan but probably recoup their investment.



This is why, as an investor, you need to invest on a portfolio basis – you just can't tell which ones will be the real winners and will have to pay for the losses you have made on the others. The safest growth capital investments are MBOs by a long way, followed by companies with proven profitable businesses who want to expand/roll out. In any investment proposition you are looking for a management team (and I mean 'team' rather than one person) which has a proven record in the same field, with a product or service which is differentiated from its competitors in a defensible way, and they have got customers who are, or if in a start up, are saying that they will be, definitely buying the product, and will say that unreservedly direct to funders.

Vantis is very willing to share its expertise by speaking at events and publishing expert articles. Why?

We love talking about what we enjoy doing every day. We love to pass it on to others, particularly if we can get involved with them to help them directly.

How do you find the right new customers and how long is your relationship with each customer?

Most come to us through word of mouth – recommendations from other clients or other professionals who have worked with us. Others we meet at events or networking opportunities.

We hope a relationship will be for life – we have some clients whom we have advised over many years on buying and selling and fundraising. As well as the corporate finance advice, we provide tax advice and provide general accounting work for them too. In practice there are a lot of clients who only need a one-off service like company sale advice, but we often end up keeping them as a tax client and helping them invest and manage their hard-won proceeds or their pension fund.

Some early stage investors are sceptical of taking specialist advice. What should I tell them about why they should not just rely on their own instinct when it comes to making and exiting from investments?



Any investor about to invest a considerable sum of money in a company should at least seek advice on checking the financials of the company. Checking need not take long and can be quite high level, but it can find undisclosed holes in the current finances, e.g. overvalued wip and stocks, unrecorded creditors, bad debts, as well as projections based on unreasonable or fictitious assumptions. It helps the lawyer decide what warranties or indemnities are required from the management team to the investor, to underpin what they are telling you. Recent issues we have found in companies have included 'top slicing' of payments on contracts into directors' own private companies, drawers full of unrecorded purchase orders and payment demands, customers cancelling contracts but not taken out of projections, directors' families on the payroll. We keep finding new things!

What do you think the role of the angel investor should be in a fast growing business?

Provide investment obviously, plus provide lots of good contacts, and the ability to challenge decisions where necessary.

What do you think early stage investors should look out for when making investments?

Evidential proof of basic assumptions underlying projections. Also, ask to talk to customers.

Angel investment, Venture Capital or Flotation – which is your preferred source of funding for a fast growing business?

Angel investment for up to £1m; venture capital, or a mix, for £1-20m; venture capital or a flotation for sums over £20m, although a flotation remains uncertain until the very last day.

What advice would you give to a company trying to fundraise from Venture Capitalists?

Create a superb business plan based on evidence for all assumptions and no flannel. Ask for more than you think is necessary as a minimum, but stage the drawdowns.

What are the typical mistakes companies make when it comes to fundraising?

A business plan that is too long, not built on sound assumptions, or has insufficient information on the successful track records of the management team.

You are a quoted company yourselves - what tips can you offer AngelNews companies about how to optimise your position as a quoted company?

Offer a constant flow of news and have no surprises, to ensure that expectations are set correctly.

Use the quoted status to provide credibility to customers and suppliers and for recruitment by making staff shareholders, as well as employees. You can also use the quoted shares as currency for highly-selective acquisitions.

Are the needs of your bigger clients different from the needs of your smaller clients?

The amounts are larger and the advice may need to be deeper, and across more service lines, but the essentials of client service are the same whatever the size. All deserve quick access to relevant advisers and coordinated advice through a prime relationship person.

In your view what do you think are the biggest issues you face as you grow your business?

It is all about having and putting the right people in place at the right time as our marketplace and our client base grows.

What lessons would you give to a SME wanting to build a business in your sector if they were starting today?

Build your team correctly, put clients first at all times, balance contingent and non-contingent working, and above all enjoy what you are doing – take time to celebrate.

If a company wants to sell products and services to your sector, what should they think about?

Service reputation, what extra service levels can be provided to take effort away from us, and price.

Are you seeing an economic downturn in the market and, if so, how do you think companies should deal with it?



Yes. The ripples of the slowdown are slowly spreading out and I think it will take some time for it to have its full effect. Companies should have plans for a slow down and how they will react. Preparing financial projections is more important than ever. Cash is king again, so watch debtors and payment periods, and stock levels. On the expansion side, you may get the chance to buy out a competitor cheaply, or recruit good staff, which will put you ahead for the upturn.

Lastly, what about you?

Why did you leave the world of Venture Capital to become a corporate finance adviser? Are you a poacher turned gamekeeper and if so how does this help you to advise companies?

Actually at 3i, I was an adviser in 3i Corporate Finance for many years doing what I do now within Vantis Corporate Finance, so it is not very different really. Having spent the first part of my career at 3i I have worked with so many of the people in the private equity industry, as many of them grew up with me there, so that gives me a wonderful contact base to put to use for my clients. I also understand exactly how venture capital/private equity works which enables me to set the expectations of my clients correctly and saves them a lot of time and expense.

Do you remember the first customer you had? Who were they and do you know what happened to them?

The first client I had as a corporate finance adviser was a company whose major shareholder had just died and the company was to be sold. The shareholder gave half of the shares to his widow, and the other half to his secretary, unknown to his widow! Hence the company having to be sold. I sold it successfully to a foreign buyer, but I could never have a meeting with both shareholders together – we had to have two separate rooms and two separate sets of meetings because the twain would never meet.

Do you work harder now than when you started?

Yes

What did you learn from your first great boss?

My first great boss was at Arthur Andersen in the 70's.

I learnt the importance of taking time to work out what clients really needed, not what they thought they wanted, getting buy-in to exactly what we are going to do, and then raising with the client the need to change and what we should do as soon as changed happened.

How do you relax?

Lots of family things – we have a large, yet close-knit family on both sides, socialising, and shooting – game and clay – for the excitement, skill and companionship!

Who is your hero and why?

So many – my Father firstly, for his whole approach to life, Agricola the Roman Consul, Horatio Nelson for outright bravery, Nelson Mandela because I love South Africa and the bloodless revolution that he achieved at the time, and Ghandi for his perseverance, simplicity and non violence.

Lastly, what is your best corporate finance disaster story?

Honestly can't think of one. Possibly the sale of Dartington Crystal back in the 90's – we were within 2 days of completing the sale of it at a very attractive price, when its sales orders went into a downturn. It continued downwards and ultimately went into receivership a couple of years later with no return to the shareholders.

If you would like to talk to Philip, you can reach him in a number of ways

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