Deals

A half year market review

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CORPORATE FINANCE DIVISION

H2 2021

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Welcome

Anderson Anderson & Brown Corporate Finance (AABcf) is delighted to share with you our Deals+ update for H2 2021, highlighting selected M&A and fundraising transactions in Scotland across key sectors, including; Technology, Construction & Property, Energy, Food & Drink and Business Services.

Reflecting on H2 2021

2021 can only be described as a bumper year for M&A activity. After a somewhat lull in the market during 2020, the market was due for a rebound in terms of activity levels and 2021 certainly provided this. The appetite for investment from Private Equity firms has been noticeable throughout the year as investor confidence returned, and we saw these levels soar past those of a pre-pandemic world. M&A activity levels remained healthy as companies looked to generate value and opportunities within the post pandemic growth sectors.

The Technology and Business Services sectors have been big winners throughout 2021, experiencing high levels of M&A activity as strategic acquirers show an appetite for consolidation and acquisitive growth as well as the active deployment of funds from Private Equity & Venture Capital firms. There were a number of key deals throughout Q3 and Q4 of 2021 that have been driving forces behind the market rally. We saw agritech start-up Intelligent Growth Solutions complete its £42.2m Series B funding round in November, as it looks to take the next step in global growth. Furthermore, we saw Aberdeen based subsea equipment rental company Ashtead Technology list on London's AIM market as they continue to grow their core business in subsea technology rentals and push to capitalise on the expected growth in the offshore wind market.

Our own Corporate Finance team have had a stellar 2021, successfully completing more than 50 transactions, with a combined deal value in excess of £750m. To name a few, AAB client, James Donaldson & Sons, completed the transformational acquisition of Stewart Milne Timber Systems, creating a group of companies with over £400m of turnover. Moreover, our team advised on the sale of driving licence and vehicle document check company Drivercheck to license checking and compliance company Ebbon-Dacs along with BGF's investment into innovative energy tech firm Isol8.

As we head into the start of 2022 we expect deal activity to remain high as the market continues to rebound after the economic downturn of 2020. We are excited about what 2022 brings and already have a strong pipeline of deals to drive forward into Q1 2022 and beyond. Our Corporate Finance team is here to assist in anyway possible, **please do not hesitate to contact us if you would like to discuss any specific deal opportunities.**

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Technology Sector

As we conclude 2021, we reflect on another exceptional year for the Scottish technology sector. Although we have no doubt been through a challenging year in 2021, the same cannot be said about the tech sector within Scotland. The sector grew thanks to significant Private Equity & Venture Capital activity throughout the year as they were actively investing into the sector, Edinburgh alone closing out 47 venture capital rounds per statistics from Dealroom.

Scotland is solidifying itself as a leading Tech ecosystem within the UK, as we continue to see a conveyor belt of high quality technology businesses come out of Scotland. Established tech incubators such as Edinburgh's CodeBase and ONE CodeBase in Aberdeen have provided great support and a clear pathway for Scotland's entrepreneurs and tech scale-ups now have even more support available with the recent launch of HALO in Kilmarnock and STAC in Glasgow.

Significant M&A deals throughout the technology sector in H2 2021 included compensation software provider Curo in their disposal to Seattle based compensation data company Payscale. We also saw agritech startup Intelligent Growth Solutions complete its £42.2m Series B funding round in November, as it looks to take the next step in global growth.

Our very own Corporate Finance team have continued to build on their credentials in the tech sector, with the firm completing numerous deals in the buoyant tech arena during H2 2021, which included advising on the sale of Drivercheck to Ebbon-Dacs. Furthermore, we supported a number of fundraising exercises in the sector, which included the investment in Kick ICT from BGF and Puma's investment into Everpress.

We expect this trend to continue in 2022 as Scotland further builds its reputation as a leading force in the wider UK tech market supported by further investment into the country by both local and overseas investors.

Date Announced	Target	Bidder/Funder	Transaction Amount
17-Nov-21	Kick ICT Group Limited	BGF	£8.7m
01-Nov-21	Drivercheck	Ebbon-Dacs	Undisclosed
04-Nov-21	Intelligent Growth Solutions Ltd	Various Investors	£42.2m
18-Oct-21	Clearwater Controls Limited	Industrial Flow Solutions LLC	Undisclosed
30-Aug-21	Everpress Limited	Puma Private Equity	£3.2m
18-Aug-21	Curo Compensation Limited	PayScale Inc	Undisclosed
13-Aug-21	Shot Scope Technologies Limited	Virgin Money	£1.5m
09-Aug-21	Turnkey Business Solutions & Turnkey Infrastructure Solutions	Kick ICT Group Limited	Undisclosed
28-Jul-21	Forev Limited	SNIB	£2m
15-Jul-21	Twig Education Limited	Weld North Education LLC	Undisclosed

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*AAB transactions are highlighted light grey *Fundraising transactions are highlighted light blue *Mergers & Acquisitions are highlighted in orange (Source: S&P Capital IQ)

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Construction & Property Sector

The Construction and Property sector has seen a tumultuous 2021, with many large-scale projects given the go ahead, only to be hampered by significant supply chain issues, felt by almost every business across the sector.

The second half of 2021 had begun to show signs of improvement, however delays seen to construction work from Omicron resulted in a slow end to the year. There is general optimism that the supply chain difficulties have passed their peak, with government investment in major infrastructure projects as well as a rise in commercial property construction offsetting a slowdown of housebuilding.
Sustainability is also becoming an increasingly important aspect within the Construction sector, accelerated by the COP26 summit held in Glasgow.

M&A activity saw a flurry in Q4 of 2021, with a number of mid-market deals announced, with Edinburgh headquartered Miller Homes' acquisition by Apollo from Bridgepoint, expected to complete in Q1 of 2022.Timber is high up on the agenda as a sustainable construction material, and two large deals in the timber products space in Scotland were completed in Q4, with BSW Timber sold to Austrian producer of wood products Binderholz.

AAB client, James Donaldson & Sons, completed the transformational acquisition of Stewart Milne Timber Systems, creating a group of companies with over £400m of turnover. This represented the third transaction in two years for the Donaldson Group which AAB has advised on.

We expect continued M&A activity across the Construction and Property sector in 2022, as supply chain issues continue to ease. Many businesses that prioritise sustainability and ESG will be well placed to be attractive acquisition targets to acquirers.

Date Announced	Target	Bidder/Funder	Transaction Amount
16-Dec-21	Stewart Milne Timber Systems Limited	James Donaldson & Sons Limited	Undisclosed
01-Dec-21	Tulloch Homes Group Limited	Springfield Properties Plc	£56.4m
06-Oct-21	BSW Timber Limited	Binderholz GmbH	Undisclosed
12-Aug-21	Industrial Nature Limited (IndiNature)	Scottish National Investment Bank (SNIB)	£3m
05-Aug-21	DAEL Ventures UK	Mitie Group Plc	£15m
05-Aug-21	Brigend Hire Limited	Mellex Group Limited	Undisclosed
03-Aug-21	Nixon Blue Limited	Paragon Development Finance	£4.5m

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Energy & Industrial Sector

The Energy sector underwent a much needed rebound during 2021. The oil price saw a steady rise throughout the year and at time of writing sits at $84 p.b, a stark contrast to the c.$16 p.b lows of 2020, an increase in demand and the supply cap placed by OPEC being major contributors to this.

The debate around the ageing North Sea Basin gained momentum as we saw Royal Dutch Shell's pull its support for the Cambo oil development deal. Shell were partners alongside Siccar Point, in the proposed sale of Cambo to private equity backed NEO. The decision by Shell will ripple through the sector, causing both companies and potential investors to think twice about putting their money into the North Sea and will increase the continued investment and activity within the green and renewable energy sector of Scotland.

M&A activity remained strong throughout the period. Emerging upstream company NEO energy completed the acquisition of JX Nippon Exploration and Production (U.K). Furthermore, we saw Aberdeen based subsea equipment rental company Ashtead Technology list on London's AIM market as they continue to grow their core business in subsea technology rentals and push to capitalise on the expected growth in the offshore wind market.

Our own corporate finance team advised on several deals within the energy sector as we saw investors with an appetite for the growing energy technology market. The AAB Group worked on a number of transactions for its clients in recent months, a stand out deal being Waldorf Energy's £330m acquisition of Cairn Energy's interests in the North Sea's Catcher and Kraken fields. Furthermore, we acted as tax advisors on STATS UK's £73m disposal to SRJ Technologies alongwith software company OPEX groups disposal to ERM Limited.

We expect continued M&A activity across the Energy sector in 2022, as we see an increased number of companies begin to reposition themselves to the renewable and green energy subsectors as they strive to meet their net-zero targets. With this we expect a strong year for deal activity in the sector throughout 2022.

Date Announced	Target	Bidder/Funder	Transaction Amount
15-Dec-21	Operational Excellence (OPEX) Group Limited	Environmental Resources Management Limited	Undisclosed
14-Dec-21	STATS UK	SRJ Technologies	£73m
26-Nov-21	JX Nippon Exploration & Production (U.K) Limited	NEO Energy	£1.2bn
08-Dec-21	Taylor Hopkinson Limited	Brunel International	Undisclosed
08-Nov-21	ARB Wind	Briggs Marine Contractors Limited	Undisclosed
02-Nov-21	Cairn Energy's interest in Catcher and Kraken fields	Waldorf Energy	£330m
21-Sep-21	Isol8 Limited	BGF	£3.5m
07-Sep-21	Nova Innovation	Scottish National Investment Bank (SNIB)	£6.4m
02-Sept-21	Babcock International Group Plc Oil and Gas aviation business	CHC Group LLC	£10m

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Business Services Sector

At AAB, we have significant experience of supporting our industry partners across the various professions which lie within Business Services. Resourcing & Recruitment, Financial Services and Professional Services, amongst others, sit within this sector and opposite we have highlighted the H2 2021 deal activity.

It feels as though businesses in the sector have come out the worst of the pandemic, as well as adjusting to Brexit challenges and resolving the IR35 issues faced throughout 2021. Following initial uncertainty, this period initiated an exceptionally busy M&A market, through a combination of business owners and investors feeling it time to realise their investments, and strategic acquirers utilising the opportunity and available resources to consolidate and expand.

The high level of M&A activity has continued throughout H2 2021 as expected, with strategic acquirers showing an appetite for consolidation and acquisitive growth. This is demonstrated by customer management business CXP Group in their disposal to Huntwood Ctc, which AAB were delighted to support with.

In addition, we ourselves at AAB took on Private Equity investment from August Equity to support our future growth plans and the investment deal was quickly followed by the merger with Leeds based Sagars Accountants Ltd to build the regional presence of the group across the UK. The AAB group was further bolstered by the previous acquisitions of Edinburgh based Purpose (HR & Coaching) Ltd in July of 2021 and Glasgow based accountants Hardie Caldwell LLP in May 2021.

We look forward to seeing this M&A trend continue into 2022.

Date Announced	Target	Bidder/Funder	Transaction Amount
15-Dec-21	Capture All Limited	Restore Plc	£900k
08-Nov-21	Sagars Accountants Limited	AAB	Undisclosed
25-Oct-21	AAB	August Equity	Undisclosed
25-Oct-21	Sixth Sense Trading Limited	MCG Group Holdings LTD	Undisclosed
01-Oct-21	CXP (Group) Limited	Huntswood Ctc Limited	Undisclosed
23-Aug-21	Mitie Group Plc's document management division	Swiss Post Solutions AG	£40m
31-Jul-21	William Reid Limited	Scruttons (NI) Limited	Undisclosed
11-Jul-21	Purpose (HR & Coaching) Limited	AAB	Undisclosed

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Food, Drink & Hospitality Sector

At the close of another challenging year for the food, drink and hospitality sector, it is encouraging to reflect on the M&A activity within the sector as it resiliently finds opportunity in the new "normal" that exists post Brexit and several national lockdowns.

As has been the case, the plant based food and beverage market remains particularly active across trade buyers and private equity as the UK's purchase and consumption rates of plant based products continues to grow at a considerable pace. Notable deals include AG Barr's recent acquisition of a 60% stake in plant-based milk and cereal producers, and the UK's third largest oat milk brand, MOMA Foods. Full acquisition of MOMA is expected within three years.

In response to several national lockdowns, the food delivery market boomed. Despite the easing of restrictions throughout the second half of the year, the shift in consumer behaviour appears to be permanent, encouraged by the diversification of the market as traditional bars and restaurants continue to offer at-home dining experiences, and the expansion of online ordering platforms. Investment in the food delivery sector includes £1m funding secured by Secret Takeaways. The funding was received from a consortium of angel investors, and will be used to fund the geographical expansion of the business across the UK following its success in Edinburgh and Glasgow.

Although the sector continues to contend with the challenges caused by staff shortages and increasing costs, the strong deals activity within the sector indicates further recovery, and an optimistic outlook for 2022.

Date Announced	Target	Bidder/Funder	Transaction Amount
06-Dec-21	MOMA Foods	AG Barr	Undisclosed
17-Nov-21	Secret Takeaways	Consortium of angel investors	£1m
02-Nov-21	Napiers the Herbalists	Samarkand Group Plc	£2.31
28-Sep-21	Fellow Creatures	ProVeg accelerator	£450k
29-Jul-21	Alcoholic Water Company Limited	Various Investors	Undisclosed

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Selected Recent AAB Transactions

Construction

Advisors acting on behalf of

James Donaldson Group
in the acquisition of

Stewart Milne Timber Systems Limited
Undisclosed

Energy

Advisors acting on behalf of

STATS UK
in the disposal to

SRJ Technologies
£73m

Technology

Advisors acting on behalf of

Operational Excellence (OPEX) Group
In the disposal to

Environmental Resources Management
Undisclosed

Business Services

Advisors acting on behalf of

CXP (Group) Limited
in the disposal to

Huntswood Ctc Limited
Undisclosed

Education

Advisors acting on behalf of

Learning Curve Group
in the acquisition of

MPCT
Undisclosed

Technology

Advisors acting on behalf of

DriverCheck
in the disposal to

Ebbon-Dacs
Undisclosed

Energy

Advisors acting on behalf of

Isol8 Limited
in the raising of equity funding from

BGF
£3.5m

Energy

Advisors acting on behalf of

Waldorf Production
in the acquisition of North Sea assets of

Cairn Energy
£330m

Technology

Advisors acting on behalf of

BGF
in the equity investment into

Kick ICT Group Limited
£8.7m

Technology

Advisors acting on behalf of

PUMA Private Equity
in the investment into

Everpress Limited
£3.2m

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Current Opportunities

Acquisition Search Mandates

TECHNOLOGY

- IT Managed Service Providers, preferably with a Microsoft focus. Looking for over 50% recurring revenues and over £500k EBITDA. UK-wide.
- Telecoms businesses, providing connectivity, mobility, IoT and unified comms solutions. UK-wide, over £1m turnover.

Chris Thompson: Contact details

RECRUITMENT & TRAINING

- Provider of temporary blue collar staffing, UK wide with revenues £20m+.
- Targets based in the north of England, £1m+ EBITDA and primarily focused on contract placements into the financial services sector.
- Healthcare staffing businesses, generating £20m turnover, based within a 1 hour radius of London.
- Businesses which supply staff into financial services and professional services, based in Scotland. Ideally the target will generate up to £15m turnover.

Callum Gray: Contact Details

FOOD & DRINK

- UK-based manufacturers of soft drinks, with a strong brand. EBITDA £1m+.
- UK-based fresh food supplier. Standalone investments £1.5m+ but will consider smaller bolt-on opportunities.
- Smoked salmon & shellfish suppliers, preferably located in Scotland. Distressed opportunities considered.
- UK or Ireland based food and drink business wanted, must be branded business. Cheque size between £20m-£25m depending on the ability to raise debt on the target.

Chloe McAteer: Contact details

HEALTHCARE

- Domiciliary Home Care providers based in Scotland, focused on elderly care (>65s). £5m+ turnover.
- Domiciliary Home Care providers based in South of England, focus on general home care. £100k+ EBITDA.

Chris Thompson: Contact details

Current Opportunities (continued)

Acquisition Search Mandates (continued)

ENERGY & UTILITIES

- Providers of inspection, repair and maintenance services, preferably located in the North of England and Scotland with distressed opportunities considered.
- Engineering consultancy, design, fabrication and manufacturing businesses to the energy sectors, UK wide with distressed opportunities considered.
- Manufacturers of pumps and valves to the Oil & Gas and utilities industries.

Callum Gray: Contact details

WASTE MANAGEMENT

- Total waste management businesses (waste management, energy efficiency, hazardous waste) with EV between £5m - £15m. UK-wide and preferably freehold site.
- Technology focussed waste management businesses, serving industrial clients. UK wide with an EBITDA £1m - £3m.

Chris Thompson: Contact details

FACILITIES MANAGEMENT

- Hard Facilities Management businesses (installation and maintenance) with over £7.5m turnover, and with a focus on public sector clients. Anywhere in the UK.
- HVAC M&E maintenance businesses, looking for retirement sales across the UK. Up to £5m turnover.

Chris Thompson: Contact details

GENERAL

- Family office looking to acquire, happy to look at company in any sector excl. hospitality. Target must be within a 3-hour driving radius of Edinburgh, deal value preferred to be between £0.5m - £10m, and no pre-revenue businesses.

Lyn Calder : Contact details

Current Opportunities (continued)

Investment Opportunities

Left Field Urban

Food & Drink

An opportunity to invest in a sustainable food producer, growing locally fruits and vegetables the UK currently imports.

Equity Investment: £300k

Sam Harrison: Contact details

Project Just Add Water

Technology

An opportunity to invest in a sustainable, game changing onshore Aquaculture technology operation based in Scotland.

Equity Investment: £1.5m

Callum Gray: Contact details

Property

Investment opportunities across multiple property sub-sectors, including student accommodation, care homes, private rental accommodation, property development and property investment.

Gordon Steele: Contact details

Disposal Mandates

Project Blanc

An opportunity to acquire an established business which has developed disruptive patent backed formulation for the teeth whitening and oral health markets.

Turnover: £4.3m

EBITDA: £0.6m

Chris Thompson: Contact details

Project Sky

An opportunity to acquire a strategy execution and change management specialist, with a strong presence in the UK financial services sector.

Turnover: £3.3m

Adj EBITDA: £1.1m

Brian McMurray: Contact details

AAB Corporate Finance Team Contact Details

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