Smith Square Partners

Management advisory

High quality brainwork

High quality corporate finance advice
Nothing else

Smith Square Partners

Smith Square Partners is one of London's leading independently owned corporate finance firms.

We provide high quality corporate finance advice to business owners, management teams, family offices, and corporates.

We also advise governmental and public sector bodies.

Our focus is on providing the highest quality advice and delivering outstanding results for our clients.

We have a reputation for delivering "efficiency and high quality brainwork" (to borrow a phrase from Sir Siegmund Warburg): our clients choose and return to us because this is exactly what they receive.

We have the grip, determination and expertise needed to deliver exceptional results

Advising management teams

We are experts at advising management teams during significant corporate transactions. Our record shows that we achieve exceptional outcomes for our clients.

We have decades of experience of leading company sale and buy-side mandates for corporates, private equity investors and owner-managers. Our strength lies in bringing this breadth of perspective to advising management teams as they contemplate a change in ownership.

We combine this with a rigorous focus on the quality of our advice to deliver the best outcomes for our clients.

The management teams we advise have significant current or prospective equity stakes in their business. Our involvement often begins during the preparation phase, helping to position a company and its senior team for a transaction. Our experience shows that the foundation of any successful company sale is a highly-motivated management team that is trusted to deliver a business plan for its new owners.

Navigating a sale process, however, is not straightforward. Private equity investors employ complex, often highly-levered capital structures and bespoke incentivisation plans which require careful analysis. Our deep understanding of these structures and company sale process dynamics ensures that we work collaboratively with stakeholders to help get a deal done.

Delivering superior outcomes

Understanding the buyer

Any negotiation requires understanding the motivations of your counterparty. Financial sponsors want to back outstanding management teams, but their full investment criteria are rigorous and specific. Many of our clients have built substantial equity value without having gone through a primary buyout or developing experience of financial sponsors. No two deals are the same, but our knowledge and experience enables our clients to plot their way through these negotiations, pre-empting significant moments and safeguarding their interests.

As well as a fully resourced top team, financial sponsors will want to see that consideration has been given to the 'next tier' of management, and may also want to leave room in the management incentive plan ("MIP") for any future joiners. Thought will also need to be given to individuals requiring different treatment such as early leavers due to retirement. These issues should be raised early in discussions.

There are market expectations regarding the percentage of capital which is 'rolled over' by management shareholders and invested alongside the financial sponsor, as well as the appropriate absolute quantum of 'sweet equity'. These will ultimately depend on a number of factors, including deal size, the investment strategy of the private equity fund, and the perceived importance of the management team to delivering the plan.

We have a deep understanding of financial sponsors and how to optimise an equity story

Managing the negotiation: term sheet considerations

Management incentive plans often involve management teams participating in different share classes and other financial instruments (e.g. loan notes), each with their own risk and return characteristics. Management's rolled-over capital is first used to subscribe for sweet equity, so-called as its returns should far exceed the financial sponsor's; however, remaining capital can be invested pari passu with the financial sponsor in the 'institutional strip'.

Commercial considerations

The percentage of sweet equity being offered to management is key, but there are a number of interrelated factors driving returns. Also important is the institutional strip ratio (which determines how the financial sponsor splits its capital between ordinary equity and interest-bearing loan notes) and the subscription price for the sweet equity share capital. This impacts important issues such as the 'envy ratio', the ratio of management returns to financial sponsor returns, as well as any funding which management require to enable them to acquire their equity.

Alternative structures, including phantom equity schemes or long-term incentive plans, will offer different financial outcomes, have different tax treatment, and varying degrees of flexibility. Hurdles or ratchets can also be used to incentivise minimum or outsized returns.

There are a great number of moving parts. We help our clients understand the commercial drivers by modelling the business plan and undertaking extensive sensitivity analysis to elucidate potential money multiples and IRRs under different scenarios.

Legal considerations

Equally as important are the legal aspects of the term sheet and there is a very wide range of terms to understand, thoroughly consider, and negotiate. These include leaver provisions, restrictive covenants, drag- and tag-along rights, and synthetic exit events. We know what to look for, which is important as we work closely with your specialist legal advisers to ensure that no stone is left unturned.

Tax considerations

Clearly, tax issues will depend on individuals' own circumstances and personal tax advice will need to be sought. Some incentive plans will be taxed as capital gains but others, such as phantom schemes or other cash bonus arrangements, will be taxed as income. A 'dry tax charge' can also be payable in circumstances where loans provided to management, to allow them to subscribe for the equity, are not able to be repaid as part of the eventual exit event. A clear understanding of these issues is key.

Driving outcomes

We believe in striking the right balance between optimising management's negotiating position during a sale process and maximising the chance of a successful transaction. This requires experience and taking a broader view than simply focusing on a term sheet.

We recommend that management considers the composition of their team and preferred ongoing incentivisation arrangements, as well as any red lines, well before a process is launched. This includes identifying the next generation of management to incentivise going forward. Ensuring these negotiations are not left too late is key, but knowing when and how to use negotiating leverage as a sale process progresses requires experience and expert guidance.

For example, what is the optimum timing for putting a management term sheet in play with prospective acquirers? Too early suggests misalignment with the broader process and the company's vendors; too late and competitive tension has dissipated.

Our focus is independent, high-quality advice to management; our approach is collaborative

During all parts of the process we advise management teams how best to play their hand at each turn and build strong relationships with potential new owners, while always working together with stakeholders to successfully close the transaction.

Selected experience

Flutter
£38bn | Listing on NYSE

Smith Square worked closely with Flutter's executive management team to provide deal management advice as part of the company migrating its listing to the US. Smith Square was appointed by Flutter in relation to this complex project 12 months before the listing and worked with the company for over two years in total.

Amey
£400m | Sale of Amey to One Equity Partners

Smith Square was appointed by Amey to provide advice in relation to management's incentivisation arrangements as part of a corporate carve-out of the group, backed by private equity. Our mandate covered all aspects of a proposed new MIP which was being put in place for both existing and incoming management.

Global Blue
€1bn | Sale to Silver Lake & Partners Group

Smith Square acted as financial adviser to management and provided strategic advice in relation to the disposal of their existing equity stakeholding and the terms of their new equity participation.

VFS Global
£1bn+ | Proposed sale of VFS by EQT

Smith Square acted as financial adviser to the management team of VFS, including its founder, which had a significant equity stake in the business. The mandate included providing detailed modelling and scenario analysis in relation to a proposed secondary buyout of VFS.

Waterlogic
£123m | Sale of Waterlogic to Castik Capital

Castik acquired Waterlogic jointly with the company's founder by taking the company private. Smith Square acted as financial adviser to the management of Waterlogic in relation to the recommended cash acquisition.

Our approach

Two-partner teams

All Smith Square's transactions are partner-led, with at least two experienced partners focused on them. This level of senior attention is rare, especially so with larger advisory firms where senior people may only be seen occasionally.

This is a key differentiating factor. Our team will be chosen because of its "fit" with the client and relevant experience and skill. Our partners have similar but complementary capabilities so that clients receive an exceptional level of service leading to an outstanding result.

Lasting relationships, based on trust

Smith Square places enormous importance on the relationships it develops with all levels of a management team it is advising.

While the sale of a business is a transaction, the firm believes that its success depends on deepening and maintaining its association with those with whom it has worked. Many clients return with new business.

Smith Square is also proud to have a widely-acknowledged reputation for working closely and productively with a range of other professional advisers, including lawyers, consultants and other corporate financiers.

An independent firm

Our advice is rigorously independent and given without any conflict of interest. The only interest we have is the interest of our client.

We believe that clients are entitled to have their affairs treated with the utmost discretion, not to become known beyond the firm. This is a feature to which Smith Square is absolutely committed and which we regard as paramount in building our relationship with clients.

People

Ben Mingay | Managing Partner

Ben is a highly experienced corporate financier and has advised numerous companies, public and private, on M&A, capital raisings, restructurings and capital markets transactions. He is known for his agile and determined style in providing advice to boards and management teams, and leading complex negotiations, often in high-pressure and high-value circumstances.

Ben began his career at Schroders, then taking on other roles in major investment banks. He was part of the senior team which helped Hawkpoint Partners to grow, leading to its eventual sale. Ben founded Smith Square Partners in 2010 with John Craven. He is a driving force at the firm, developing business relationships, being actively involved with transactions, as well as providing board level advice on strategy and corporate finance.

Ben has significant experience as a non-executive director including until recently at Homeserve plc.

Paul Staples | Managing Partner

Highly respected at board level, Paul advises owner-managed businesses, entrepreneurs, family offices and listed companies across all major international markets. He brings to Smith Square Partners deep knowledge of the technology and tech-enabled services sectors, allied to a highly considered strategic approach and practical transactional expertise.

With decades of corporate finance experience at the highest levels, Paul is particularly focused on building the firm's technology and media franchise, as well as developing its capital markets advisory practice.

Paul is an alumnus of Schroders, has held a wide range of senior positions throughout his career including at Citigroup and BNP Paribas, and built a powerful network of industry and investor relationships around the globe. He is currently chairman of the American European Business Association (AEBA) and a member of the advisory board of Advior International.

John Craven | Managing Partner

John has more than 30 years' experience advising public and private companies across a wide range of commercial sectors. A co-founder of Smith Square Partners, he leads the firm's Takeover Code advisory practice and has wide experience of public market M&A transactions. John also has decades of experience advising owner-managed businesses, entrepreneurs, private equity and their portfolio companies.

John is an alumnus of Schroders and was a Managing Director in the Credit Suisse First Boston European M&A Group. He led the corporate finance team at Bridgewell, the mid-market investment bank, and was a main board director through the firm's IPO and subsequent sale. John has several external roles in the not-for-profit sector.

Douglas Gilmour | Partner

Douglas is a transaction partner with significant experience advising public and private companies, their management teams and investors. He started his career advising institutional investors and is a CFA charterholder. Douglas has maintained his analytical approach working on a diverse range of assignments including management advisory projects, public and private M&A, listings and other strategic advisory projects. His transactional experience covers most sectors of the economy including services, industrials, healthcare, and technology.

Many of the transactions Douglas has been involved in have been cross-border and he has particular responsibility for Smith Square Partners' relationships with its international network of partner firms, Advior International, which comprises over 250 professionals globally.

Douglas has been a notable part of the success of Smith Square Partners, becoming a partner in 2020. Before joining the firm, Douglas was a member of the Corporate Finance team at KPMG LLP where he advised corporates and private equity clients.

Why Smith Square Partners

In summary, what differentiates us is the quality of our advice.

Whether it's providing general financial advice or advising on a specific transaction, quality is the currency we measure ourselves in:

- Quality of relationships
- Quality of ideas and analysis
- Quality of execution

In other words, exactly the 'efficiency and high quality brainwork' that Sir Siegmund Warburg would have recognised.

Quality is the currency we measure ourselves in

Contact

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