

# SHAW REPORT

## *Property & Construction*

**SHAW & CO'S INTERIM MARKET ANALYSIS OF THE PROPERTY AND CONSTRUCTION INDUSTRY WHICH HIGHLIGHTS KEY M&A DEALS.**

**Prepared by:**  
Marcus Harrison, Executive at Shaw & Co

**Date:**  
November 2022

# FOREWORD.

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Welcome to our interim ‘Shaw Report’ into the Property & Construction (PC) industry which provides SME business leaders with a powerful benchmarking tool to aid their decision making.

In this report we summarise the M&A deals that have occurred between 1 April 2022 to 31 October 2022. It will provide you with valuable insight regarding your relative attractiveness from a M&A point of view.

I hope you find this a useful tool. If there are any emerging themes that resonate with you, please feel free to get in touch.

**Marcus Harrison**  
Executive, Shaw & Co





# AT A GLANCE.

## Data Sources

- Companies House.
- Zephyr.

## Data Points

- 1 April 2022 to 31 October 2022

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### 99 M&A DEALS

Deal activity during this period has been in line with other industries we are tracking.



### 85% OF BUYERS FROM UK

The majority of buyers are based in the UK or have a significant presence in the country. However the UK still remains popular for foreign investment.



### 39% OF DEALS IN THE SOUTH-EAST

The South-East proved popular for deal activity as well as the North of England.



### 19% DEALS COMPLETED IN AUGUST

August was the most popular month for deals to be completed as businesses seek to finalise transactions before the busy Christmas period.

# M&A ACTIVITY - ARE BUSINESSES LIKE MINE IN DEMAND?

# HOW MANY M&A DEALS HAVE COMPLETED IN MY INDUSTRY?

## How attractive is my industry to buyers?

Deal activity within the Property & Construction industry has remained high, in line with other industries we are tracking. Following a strong emergence from the pandemic, long-term commercial rationale for deals remains intact, as acquirors look to take advantage of increasing interest in 'real' assets caused by rising inflation and scale up operations. Buyers appear to be eager to broaden their strategic capabilities and are taking advantage of the trading efficiencies associated with a major transaction.

Property & Construction is a strong industry in the UK economy and once a business reaches sufficient scale to make a difference to the bigger players in this space, it is likely to come onto the radar as a potential acquisition target.

## How does this compare to other industries?

M&A activity in general has been buoyant with similar levels of deals to those seen across the other industries we are tracking.

## What should I be thinking?

Although the market is currently buoyant, headwinds are already manifesting themselves with the return of inflation and significant geopolitical uncertainty. If an exit is on your agenda and your business is trading well, now might be a good time to seize the initiative and begin the preparations to take your business to market.

However, if your business is performing well and you have a plan to take this forward, now is also a good time to be considering an acquisition. Growth by acquisition is a good way to help consolidate your market and help protect against any oncoming headwinds. This can be combined with, or an alternative to, inorganic growth, depending on your business needs.

99  
M&A DEALS

# WHEN ARE THE M&A DEALS HAPPENING?

## What is the data showing?

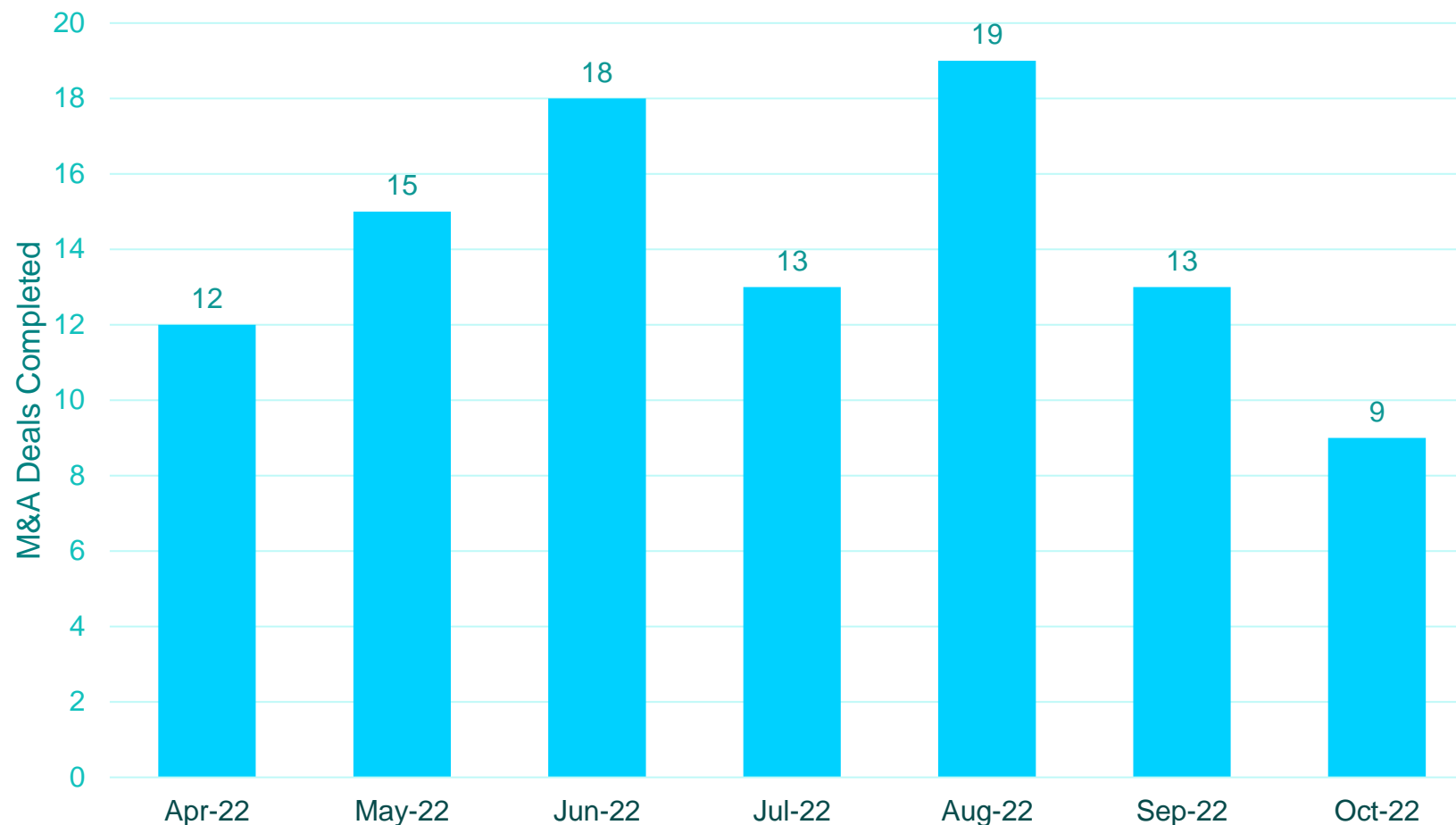
The data highlights the recovery of the M&A market post-pandemic. Despite a dip during Q2 of 2022 (to be expected given the Russian invasion of Ukraine and subsequent cost of living crisis), M&A activity has rebounded strongly. The data also suggests that deals are more likely to complete during the summer months. Businesses tend to prefer to complete deals well in advance of the busy Christmas period.

## What does this mean for me?

The data shows that despite the challenges faced within the wider geopolitical climate, appetite for M&A remains fairly strong. Therefore, high performing businesses are still likely to be in demand from acquirors.

## What are my options?

Whether you decide that an exit or an acquisition is the right strategic route, diligent planning is key. A sale processes typically take between 6-9 months, so it is important to factor this into any near-term business plans. Given that summer is a good time for business sales and the time period required, now is a good time to begin planning an exit.



# WHERE ARE THE BUYERS LOCATED?

## What is the data showing?

UK buyers – or at least companies with an existing UK presence – made up 85% of the transactions in this review period.

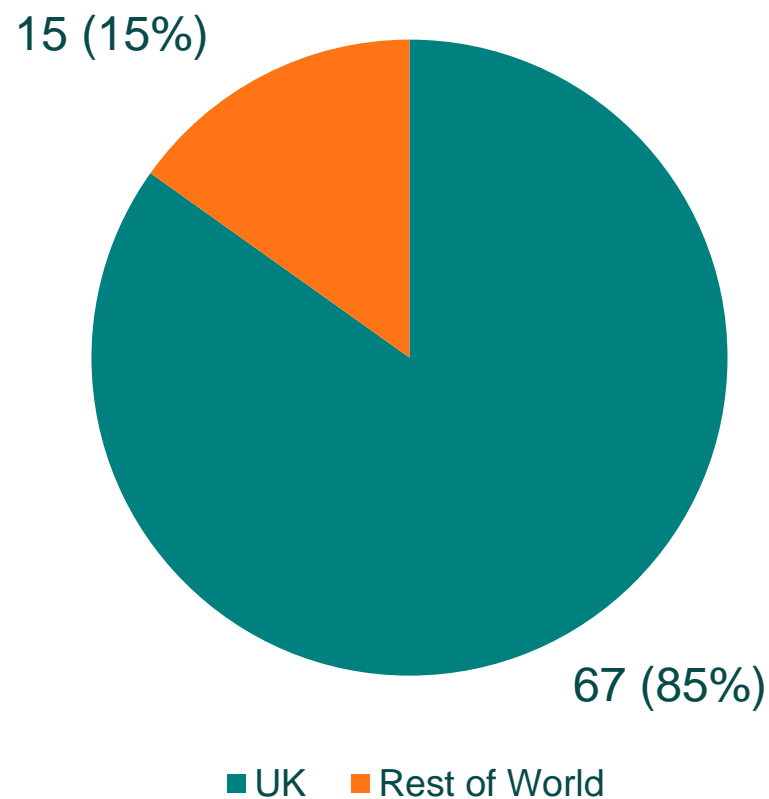
## What does this mean for me?

In many cases you will already know the companies that are most likely to acquire your business as they will already be key players in the UK market.

## What are my options?

Starting to prepare early and engaging with a corporate finance adviser will allow you to identify potential buyers both in the UK and internationally. If not already on their radar, it is often advisable to direct your PR and marketing efforts to raise your profile with potential buyers. On the sell side, efforts should be focused on your main competitors within the UK as this is the mostly likely source of a buyer.

Location of Buyers



# COMPANIES ACQUIRED BY LOCATION.

## Where are the M&A deals happening?

39% of deals were conducted in the South-East of England, unsurprisingly, making this the most active region. The North of England also had a high volume of deals, relative to the other regions, but this has reduced since the prior year, bringing the North more in line with the rest of the country.

## What are the M&A trends in my industry?

The proportion of acquisitions within the Building & Construction Services sub-sector remains high (at 66%). This is likely due to building development activity remaining high off the back of the Covid pandemic as investors seek 'real' assets in response to rising inflation. Companies are taking advantage of the demand for both housing and construction projects which have mostly been centered around the North and the South-East of England.

Of note is the relatively small number of deals in the Property sub-sector, which has reduced still further from the drop noted in the previous annual report. Companies in this sub-sector include those engaged in facilities management, and there doesn't appear to have been much recovery in their attractiveness to potential buyers following the shift towards working from home caused by the Covid-19 pandemic.

## What does this mean for me?

If your firm is in the Building & Construction Services sub-sector and has seen a boost in activity, then it is likely to be of interest to bigger players in the space.





# EXAMPLES OF M&A DEALS IN THIS INDUSTRY.

## What companies are making the acquisitions?

Majority ownership deals involving a trade buyer were much more prevalent than those with a private equity investor during this period. This suggests buyers are more focused on the strategic benefits of a transaction. Private equity firms still showed an interest in this industry but favoured taking minority interests.

## What price is being paid?

There were only a small number of deals where transaction values were disclosed. This suggests that most deal values were smaller than the other sectors we are tracking. Although there were three deals with a value over £100m, including the largest deal at £1.5bn, most deals were valued at less than £10m, with the lowest disclosed deal value at £650,000.

## What is the typical EBITDA multiple?

Disclosed EBITDA multiples range from 1.9x to 13.4x. The average multiple was 7.3x, a reduction from the prior year average of 27.9x (year to 31 March '21), as noted in our last annual report.

ACQUIROR	TARGET NAME	BUSINESS DESCRIPTION	DEAL TYPE	DEAL VALUE £m	TARGET Ebitda £m
LXI REIT Plc	Secure Income REIT Plc	Renting and operating of real estate	Acquisition 100%	1,530	N/A
Workspace Group Plc	McKay Securities Plc	Renting and operating of real estate	Acquisition 100%	272	41.6
Big Brilliance Ltd	R&F Properties VS (UK) Co. Ltd	Site preparation	Acquisition 100%	107	N/A
Brickability Group Plc	ET Clay Products Ltd	Wholesale of wood, construction materials and sanitary equipment	Acquisition 100%	12	2.8
Lords Group Trading Plc	DH&P Trade Counters Holdings Ltd	Wholesale of hardware, plumbing and heating equipment	Acquisition 100%	9	N/A
MCG Global Ltd	DCB (Kent) Ltd	Non-classifiable establishment	Acquisition 100%	5	0.4

(This table provides a hand-picked selection of the deals that took place during the reported period.)

# M&A SUMMARY.

## KEY POINTS & PREDICTIONS

- Deal activity has been buoyant in the Property & Construction industry in the last seven months as larger companies look to scale their operations to take advantage of the strategic benefits of an acquisition.
- A number of headwinds – rising inflation and the worsening geopolitical situation – mean that the level of M&A activity seen over this period may not continue. Confidence is key to dealmaking, and uncertain economic conditions can cause buyers to ‘pull the plug’.
- The recent weakening of the pound is likely to make UK businesses more affordable to foreign buyers. Therefore, in the next period we would expect to see the ratio of UK to overseas buyers become slightly more equal.
- If an exit is desired and your business is performing well, we recommend giving consideration to launching the preparation for a sale process as soon as possible, before current events flow through to the wider economy.
- Alternatively, you may consider the opportunity to grow by acquiring a competitor or an organisation that complements and strengthens your existing value proposition.



# OUR CREDENTIALS.



# SUCCESS STORY – SPECIALIST GLAZING PROJECTS LIMITED.

## SECURING A GROWTH LOAN FOR A SPECIALIST GLAZING BUSINESS

### SITUATION

A Bristol-based glazing specialist needed additional working capital to support its emergence from the pandemic. Find out how we helped secure a term loan so the business could continue its growth projects.

### CHALLENGE

Specialist Glazing Projects (SGP) delivers bespoke glazing solutions, progressing projects from the initial stages of design through procurement and installation to completion. The business specialises in projects within all market sectors that include residential enhancements, historic restorations and commercial projects.

SGP's management team needed additional working capital to undertake the growth and forthcoming projects which they are seeing as the economy reopens. They came to us to help them find a suitable lender.

### RESULT

We secured CBILS (Coronavirus Business Interruption Lending Scheme) funding from Funding Circle. By virtue of SGP's strong management team, historic business performance and prudent management, we negotiated and secured the facilities within a short space of time. The funding will enable the business to deliver its growth projects.





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**Our experience working with Shaw & Co was a positive one. They helped identify our needs, match our needs with an appropriate provider and then executed the deal with the minimum of fuss.**

**Ryan Gillson**  
Director, Specialist Glazing Projects Limited



# SUCCESS STORY – ACACIA ASSOCIATES LIMITED.

## HELPING A BUILDING SURVEYOR ACCESS CBILS GROWTH FUNDING

### SITUATION

Acacia Associates is a building surveying company working for a diverse group of private and commercial clients. Find out why Acacia came to us to help raise funding during the COVID crisis.

### CHALLENGE

In April, COVID-19 brought the property market to a standstill which had an immediate impact on Acacia's operations and cashflow. As construction sites closed due to social distancing, Acacia was unable to achieve a contractual milestone. Subsequently, a milestone payment was delayed preventing essential cashflow into the business.

### RESULT

Through our support, the Royal Bank of Scotland approved an undisclosed loan allowing Acacia to continue with its contractual obligations, achieve key milestones and return its trading to a near normal level.



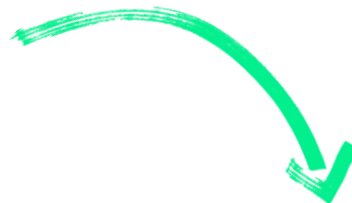


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**From the initial call, and throughout the entire process, the service was slick, coherent and simple!**

**Mark Harvey**  
Founder, Acacia Associates Limited

# OUR INDUSTRY EXPERTS.



Rick is a specialist in our Business Funding team. He joined Shaw & Co in September 2019 having built his corporate finance career over 25 years in companies including Nokia, Royal Bank of Scotland, National Australia Bank and Lloyds Financial Markets. He's advised on debt hedging instruments over £3bn+ in client debt portfolios and has arranged over £5bn+ in client foreign currency hedging transactions.

Rick's typical corporate transactions include MBIs, MBOs and growth funding with facilities ranging from £2m to £100m.

**RICK MARTIGNETTI**

Manager



Marcus is an executive and supports M&A and business funding transactions. He joined Shaw & Co in October 2022 having trained at Smith & Williamson and held a qualified senior audit role at Saffery Champness LLP. Marcus is a Chartered Accountant and brings 4-years' experience of auditing SME clients across a range of sectors.

At Shaw & Co Marcus' M&A support focuses on buying and selling businesses and helps with the preparation of investment papers, reviewing and building accompanying financial models and conducting market research to identify buyers, sellers and comparable transactions. Marcus' business funding support includes preparing funding proposals and financial modelling.

**MARCUS HARRISON**

Executive



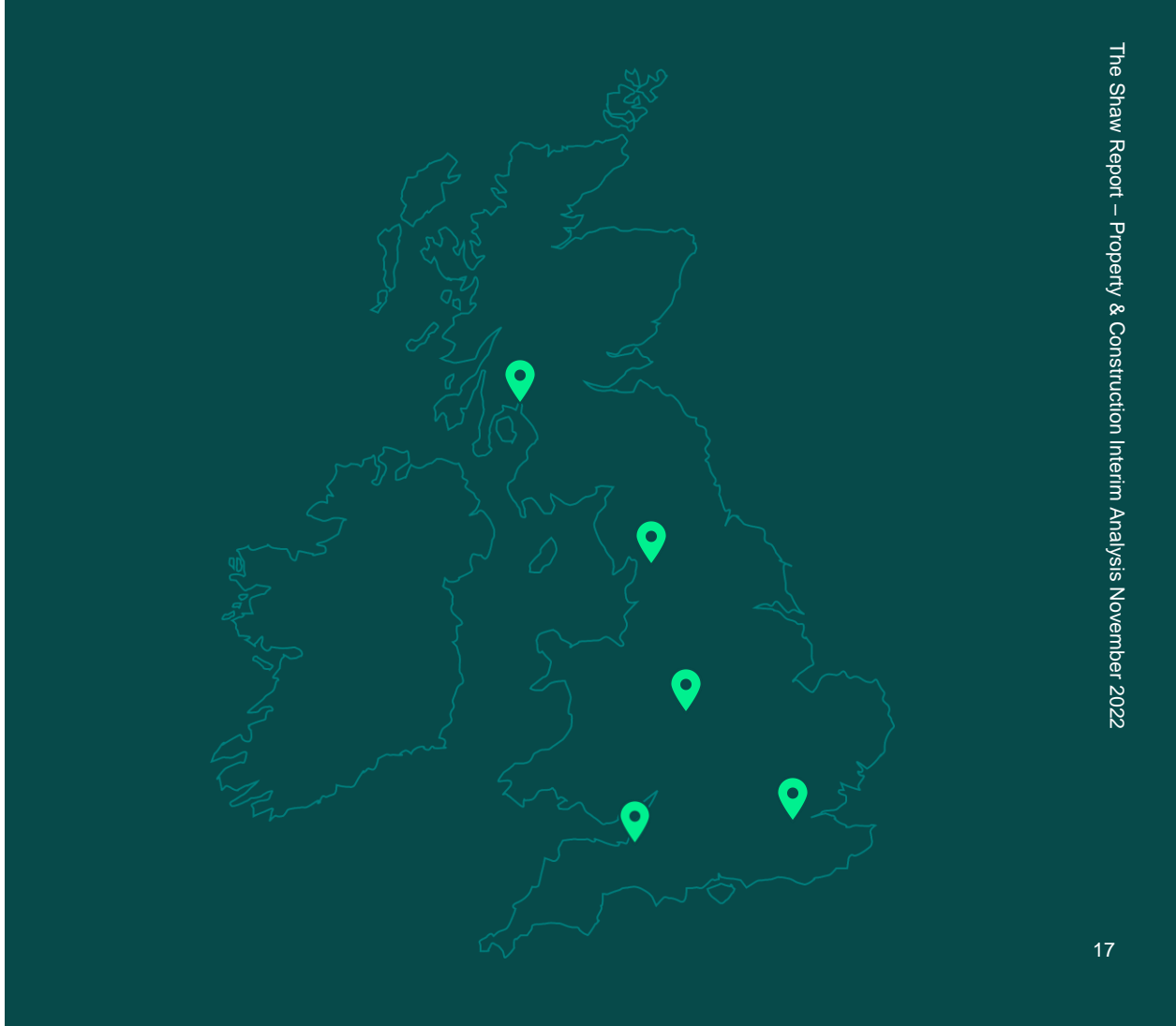
# ACCESSIBLE NATIONAL REACH.

## FIVE CITY LOCATIONS

We help the business leaders of UK privately-owned SMEs to achieve their greatest ambitions.

We are easily accessible to support clients from across the UK and you can find us in these locations:

- **BIRMINGHAM** 20 Colmore Circus, Birmingham B4 6AT 0121 314 9410
- **BRISTOL** 22-24 Queen Square, Bristol BS1 4ND 0117 325 8510
- **GLASGOW** 9 George Square, Glasgow G2 1QQ 0141 280 0410
- **LONDON** 33 St James' Square, London SW1Y 4JS 0207 183 5010
- **MANCHESTER** 3 Hardman Square, Manchester M3 3EB 0161 505 2010



# CONTACT

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