

## The Leading Advisors and Financiers of 2009

“Due to the credit crunch during the second half of 2008 a lot of transactions stopped or were postponed due to the crises, new investments are on-hold and we are dealing with mass redundancy and factory closures nowadays. I think the first half of 2009 will be very slow and will be dominated with reorganisation, mass-redundancy and company/factory closure works but I hope that during the second half of 2009 the M&A activities will start again.”

Dr. Lovrecz Éva, LL.M (Lon.)

## The story so far ...

The year 2008 has certainly been the year of the credit crunch. ACQ talks to the leading financiers and advisers about how the past 12 months has been for business, and what they expect to see in 2009. ACQ's Charlotte Abbott reports.

**Dr. Lovrecz Éva, LL.M (Lon.) is one of the founding partners of Déri & Lovrecz Law Firm, which is a medium size Hungarian law firm based in Budapest. Dr. Lovrecz Éva, LL.M (Lon.) is the head of the corporate and M&A units and co-head of the Reorganisation unit.**

Déri & Lovrecz specialises in M&A transactions, giving advice both at the sellers' and at the buyers' side. The firm also specialises in reorganisation projects, combining the financial, corporate and labour law aspects. This firm has wide experiences in real estate projects including housing, commercial and industrial projects. Déri & Lovrecz was also active in advising in connection with security issues but lately this is not so important due to the changes in the market.

“Due to the economic world crises we also phase that most of the M&A transactions which started during the spring of 2008 stopped during the summer-autumn period, the planned investment projects were postponed and more reorganisation projects started.

“In 2008 we advised Cryo-Save during the acquisition of the leading Hungarian company offering cord-blood stem cells services, we were the Hungarian legal adviser to the UCMS Group, which is a global provider of end-to-end business process consulting and business process outsourcing, through the acquisition of HeziHold one of the largest provider of accounting, management and administration services in Hungary.

We were involved in a large number of transactions which, unfortunately, were not closed, mainly due to the economic crises.

Cryo-Save's acquisition of the Hungarian distributor Sejtbank Egészségügyi Szolgáltató Korlátolt Felelősségű Társaság (“Sejtbank”) and Sejtbank's subsidiary in the Czech Republic, Archiv Bunek s.r.o. was the first assignment of the firm representing Cryo-Save.

“The negotiations of the share purchase agreement were very intensive. Déri & Lovrecz has advised a lot of foreign buyers in connection in the purchase of Hungarian companies from individuals lately, in this transaction the sellers again were private persons.

“Our law firm and its staff is quite flexibly, understands the background of the Hungarian sellers which are very useful also when we are representing buyers. We have a well trained team with wide range of experiences.

“Due to the credit crunch this year a lot of transactions stopped or were postponed due to the crises, new investments are on-hold and we are dealing mainly with mass redundancy and factory closures nowadays.

“I think the first half of 2009 will be very slow and will be dominated with reorganisation, mass-redundancy and company/factory closure works but I hope that during the second half of 2009 the M&A activities will start again.

“In response to this, the deal-making community should act slowly and very cautiously but I think the time for looking for targets is coming and now, as the prices are down, new acquisitions could begin.”



Dr. Lovrecz Éva, LL.M (Lon.)

## GRACE ADVISORY

M&A | CORPORATE FINANCE GMBH



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- Corporate Strategy

Grace Advisory is one of Europe's most-respected and dynamic independent M&A/ Corporate Finance advisory specialists. Our

Awaiting approval

regularly on small and medium-sized firms and we have extensive experience in both public and private transactions in the Technology, Media and Publishing, Life Sciences, Chemicals and Plastics and Automotive Supplies sectors. We bring exceptional levels of international expertise, gained from our long-standing experience at top-tier world-class investment banks, to all that we do for our clients. Our approach is open, dedicated and results-driven.

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### Dinese Hannewald is the Founder and Managing Director of Grace Advisory M&A / Corporate Finance GmbH.

Grace Advisory is one of Europe's most-respected and dynamic independent M&A / Corporate Finance advisory specialists. The firm's focus is on small and medium-sized firms - a sector that has been less well-served in the past.

"As MD and Founder, I am primarily responsible for winning mandates for Grace Advisory and overseeing all our operations. I am a hands-on managing director and each mandate is carried out under my close personal leadership.

"We have accumulated experience in the information technology, media, life science, chemicals/plastics and automotive supplies sectors. One of our differentiating characteristics is that we have a great track record in completing cross-border deals intra Europe, the US and Asia. Our small, multi-talented team operates in most European languages and the senior team members are bilingual in English and German."

"With respect to M&A activity, we have seen more sell side opportunity assignments than previously. Most of these firms are smaller businesses, with revenues under €30 million. Having said that, we have been approached by two larger cash-rich companies who are looking to strengthen their market position and to benefit from the imminent consolidation phase as they look for acquisitions on both a systematic and opportunistic basis.

In 2008, Grace Advisory successfully closed three M&A transactions and one financing deal:

"We advised Futuremedia plc in its sale of FM learning, its UK based eLearning business, to Edvantage group, an eLearning company based in Oslo, Norway.

"We advised SmartTire Systems Inc, a developer and marketer of proprietary advanced wireless sensing and control systems and advanced to tire monitoring solutions for commercial vehicles to Bendix Commercial Vehicle Systems LLC, a member of the Knorr-Bremse Group.

"We advised BRZ Deutschland GmbH, a German construction software company, in its acquisition of WIBEAG Informatik, a software firm based in Rotkreuz, Switzerland.

"We acted as Consultant to Yorkville Advisors LLC, the New Jersey based investment manager to YA Global Investments, a private investment firm, in closing an equity funding agreement for up to €25 million with MediGene AG, a publicly listed biotechnology company located in Martinsried/Munich.

"Grace Advisory is really fortunate in the strength, depth and breadth of its network built up over many years in senior positions at premier investment banks in the US and Europe. Almost all our business is referral business, based on relationships and our reputation. We

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"The boundaries of our practice areas are however flexible to enable us to meet the global needs of each of our client, allowing us to combine our tailored expertise with a global and cross-competent approach. One of our main goals is to provide our clients with pragmatic advice."

Marie-Béatrice Noble



Dinese Hannewald



Marie-Béatrice Noble

are small enough to offer a truly personal service, led at every stage by me myself. Since the world of M&A and corporate finance can be filled with many complexities, we remain much focused on orchestrating the different parties such that we reach the mutual goal of a successful closing as quickly as possible. We like to exceed our clients' expectations and often do.

With regards to the crunch, Grace Advisory has noticed the impact on one of their sell side mandates, "the buyer had to step back from the transaction due to lack of funding. In spite of this, we are seeing more sell side opportunities."

"Despite the fact that the world's major economies will likely remain weak and that acquisition financing will continue to be a challenge in 2009, we expect ongoing M&A activity from healthy strategic buyers looking for add-on acquisitions (transaction value €5 m to €50 m) or the opportunity to purchase distressed assets. Weaker companies will need to sell out to their stronger competitors due to the credit crunch. Buyers will also look to acquire listed companies with much lower valuations, especially those with cash balances. The weaker dollar and pound sterling against the euro may also drive cross-border transactions with continental buyers looking to expand in the US and the UK."

**David James is a company/ commercial partner at Moorhead James Solicitors.**

Moorhead James have a particular expertise in the sport and leisure sectors and advising management in private equity / MBO deals. In 2008 the firm advised on the acquisition of the FILA brand and business in Europe, Middle East and Africa in the management buyout and advised on the management buyout of businesses from an AIM company, Arc Fund Management Holdings PLC.

"Having advised management on several previous deals with the equity funder they were happy to recommend us to the management on further deals."

As an emerging trend, David James has noticed a decline in corporate activity generally and an increase in insolvency / restructuring situations and transactions.

"As a direct result of the "credit crunch" there are fewer private equity deals, due to the lack of senior debt available at this time. However, with the rapidly increasing number of corporate insolvencies, the number of turnaround/ rescue deals is increasing considerably.

"My advice to the deal-making community would to be realistic on price and timing of deals as these have changed significantly over the last year.

"The economy is unlikely to show much sign of recovery until 2010. Deals will continue at current (depressed) levels probably until 2010, with the exception of "distressed" sales / purchases where volumes will continue to increase."

**Marie-Béatrice Noble is a founding partner of Noble & Scheidecker. She has been one of the key persons in leading the construction of the law firm from the beginning and has contributed to its development with strong personal involvement. The firm celebrates its fifth year in business this year.**

Marie-Béatrice Noble focuses on M&A transactions related to the acquisition of targets all over the EU, through joint venture companies and other Luxembourg vehicles (regulated or non regulated). She also deals with Corporate Structuring projects involving mainly UK and US clients.

Apart from being a legal expert, she is – within the firm – the partner responsible for Human Resources, Internal Communication, Marketing and Invoicing.

Noble & Scheidecker is the 10th biggest law firm in Luxembourg and is not a member of an integrated Network. End 2008, the firm was nominated and came in second place for various market awards (for example best labour law firm, best ICT law firm, best CSR firm, woman manager of the year...).

"The firm is particularly strong in 3 areas of practice, namely Corporate Finance, Employment and Technologies & IP. We are also developing further our Investment Funds and regulatory matters practice areas. The boundaries of our practice areas are however flexible to enable us to meet the global needs of each of our client, allowing us to combine our tailored expertise with a global and cross-competent approach. One of our main goals is to provide our clients with pragmatic advice.

"In the past 12 months, we have witnessed more and more domestic M&A transactions (we have been very active in this sector), a strong development of non-retail investment funds (SIF, Sicar) as well as more and more regulatory matters (PSF, insurance ...) and increase of insolvency matter and mass redundancy.

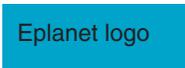
"New and significant legislation has also been implemented in Luxembourg, for example the capital duty (0.5%) has been abolished as from 1st January 2009. The market had been eagerly awaiting this abolition as it will enhance Luxembourg tax competitiveness.

"IP competitive tax legislation has been in existence since early 2008 (tax exemption of 80%). IP is additionally exempted from net wealth tax since 1st January 2009.

"A new law aims to exempt dividends of resident Luxembourg companies distributed to foreign companies from tax, provided that the latter resides in a State with which Luxembourg has concluded a double tax treaty. This is another very important piece of legislation relevant to foreign groups considering locating their head quarters in Luxembourg.

DETAILS

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"When commissioning due diligence exercises, there is an increasingly keen focus on the part of the acquirer or investor on the cash position of the target business. There is perhaps also a trend towards starting due diligence later in the acquisition or investment process (once certainty is high that there is a desire to complete transactions) to potentially save unnecessary costs."

Charles Simpson

## DETAILS



Moorhead James 

• NautaDutilh

"Another new law intends to gradually reduce the combined income tax rate to 25% over a period of a few years.

"On a general level, business activity remains strong in Luxembourg despite the credit crunch. However, we do feel that certain private equity and real estate investments have been on hold this year due to the prudence of the funds and banks.

"Recently, further to the Lehman bankruptcy, the pressures on the banking sector in the Benelux countries have notably resulted in the grouping of banks and the intervention by the governments of the various countries in others.

"Regarding our firm, our corporate activity is well balanced between transactional and non transactional work and thus we have a good hedging between the different activities. In the past 12 months we have still been very active in international transactions.

"In keeping with the rest of the market, the last quarter was however a little quieter as a result of caution on the part of our clients.

"In view of the current apprehensive nature of the markets worldwide, it is difficult to predict how long it will take to restore global confidence and optimism to the investors. Therefore, although Luxembourg remains very strong and stable, we are prudently anticipating a slow down in the level of activity in the corporate finance sector in 2009."

### Charles Simpson, is partner and head of Corporate Finance, Saffery Champness

Saffery Champness operate in all areas of corporate finance, with a particular focus on high-value added transactions of up to £50 million in the small, mid-cap and privately-owned company arena.

"The appetite of lenders is obviously diminished, while private equity and venture capital investors are very much still willing to invest, but tend to be unable to leverage deal structures with the kind of debt that they were able to 12 and 18 months ago.

"When commissioning due diligence exercises, there is

an increasingly keen focus on the part of the acquirer or investor on the cash position of the target business. There is perhaps also a trend towards starting due diligence later in the acquisition or investment process (once certainty is high that there is a desire to complete transactions) to potentially save unnecessary costs.

The firms Land mark deals include: Acquisition of high-street wine retailer Oddbins by Ex-Celler; Acquisition of Metzeler Automotive Profile Systems for the Indian group, Raghav Industries and Avialec by Kapco Valtec of the US; Successful fundraising for recycling business Lynwood Products Ltd; Merger of Sumus plc with Lighthouse Group plc; Admission to PLUS Markets of World Mining Services Ltd; Management buyout of Solicitors Own Software Ltd; Management buyout of Charles Saunders Ltd.

"The acquisition of high-street wine retailer **Oddbins** by **Ex-Celler**. A high-profile deal, our team provided the incoming management team with assistance on the acquisition of this much-loved retailer. The acquirer worked to extremely tight timescales, and the need for deal streamlining and extensive liaison was evident throughout.

"We also raised a significant fundraising package for the recycling business **Lynwood Products Ltd**. As lead adviser to management, our team raised the funding, allowing the market repositioning of Lynwood, utilising in-demand plastics recycling technology. Done against difficult lending conditions, the assignment demanded a flexible financial package including equity investors, banks and other debt providers.

"In many cases, including the one mentioned above, deals have been won through the combination of existing relationships, referrals through clients and intermediaries and a professional approach to pitching for work. We offer a partner led service and a team that is tailored to the best needs of the client and the transaction that can demonstrate both technical and sector knowledge.

"In regards to the crunch, very few advisers will have been unaffected by the credit crunch, and deal-doing environment has certainly been affected by the downturn, and the wider uncertainty it is causing. Prior to

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“One piece of advice I can offer to the deal – making community is that this crisis is merely a derivative from psychology of fear and distrust. The investment community needs to cool down a bit (Christmas holidays provided a perfect chance for that). The fundamental economical situation seems to be much better than it is believed to be – we only need optimism.”

Anton Klyachin

the onset of the credit crunch much M&A activity was fuelled by the availability of plentiful and, generally, low-priced debt. But, the present pressures in the banking system have led to the termination, or postponement, of some transactions of which we were aware, and made others harder to do.

“However, despite fluctuating levels of market confidence, our impression is that deals remain very much there to be done – and indeed, an uncertain economic backdrop can often offer significant value.

“It may well be the case that for most of 2009 deals will be scarcer and will continue to happen more slowly than might have been the case a year or two ago. Highly-leveraged deals that would have happened are now much more difficult to do as the banks’ balance sheets are generally weaker, which has contributed to the reduced lending appetite even among those banks less exposed to the sub-prime fallout.

“However, in the owner-managed, small, and mid-cap market, there are still deal opportunities – particularly for transactions that can be self-funded by cash or paper. For these owners and their businesses, acquisitions and investments that looked expensive 18 or even 12 months ago will not necessarily be so these years as valuations continue to weaken.

“My main piece of advice to the deal making community is to maintain a market presence and increase visibility with focused marketing efforts. There will be fewer deals in the market and there will be pressure on costs. Deal makers that can maintain a visible presence in the market will be best placed when the market begins to regain momentum.”

## Anton Klyachin is managing partner at Salomon Partners.

Salomon Partners specialize in Mergers and Acquisitions, Private Equity / Venture Capital, Telecom, Media, Technology; and Employees Compensations and Benefits.

In 2008, the firm advised on the RegionAvia investment by Norum Russia (now CapMan Russia) which has been well covered in the press, including ACQ.

“Region-Avia investment was the first transaction we worked on with Norum Russia, a managing company subsequently acquired by CapMan. We have been introduced on another deal where Norum participated as a first round investor, while we represented second round investor. The transaction was done in about five months.

“We have successfully continued our cooperation with Quadriga Capital Russia and Norum Russia (now acquired by CapMan), the latter of which has invested into RegionAvia company with our help. Apart from that we have been involved in an acquisition of a timber business by Wermuth Asset management and Capricorn; in an investment into a new Russian satellite broadcasting company Orion TV; as well as in a couple of another telecom and media acquisitions.

“We are one of the few firms in Moscow specialising in private equity investments, and this fact, I believe, was crucial for our clients. We continue this approach in 2009 trying to broaden our client base in this area.

“The most current trend refers to the financial storm which now has reached Russia and CIS markets. As a commercial firm, we now face much more debt recovery and restructuring work, work connected with margin calls and fire sales, acquisitions of distressed assets. However, we believe more investment activity comes in the second half of 2009, since the funds are still willing to place money effectively and this creates a delayed demand on investments.

“For us as a firm, we hope that the second part of the year will be more transactional busy, while the first half would be a time for crisis exercises. However, we believe our overall workload will remain high throughout the year.

“One piece of advice I can offer to the deal – making community is that this crisis is merely a derivative from psychology of fear and distrust. The investment community needs to cool down a bit (Christmas holidays provided a perfect chance for that). The fundamental economical situation seems to be much better than it is believed to be – we only need optimism.”

## DETAILS

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## DETAILS

**Phil Woodward is MD at Leumi ABL.**

The firm is not sector-specific, but operate across a variety of sectors to improve the working capital of our clients with a full range of asset based lending products.

"2008 has been a very busy year for Leumi ABL with record levels of transactions. Despite the economic downturn, the team has been active with a number of interesting transactions and refinancing deals. As lenders are now assessing market opportunities with greater caution, only those businesses with a strong management team, robust business strategy and excellent products or services are being refinanced.

"Landmark deals include the financing of Cobra Beer and the acquisition of Wyndeham Press Group by Walstead Investments.

"The Leumi ABL approach to any new business is simple and effective – spend time to truly understand the client's business, know the senior management team and build a solid understanding that shapes a successful ongoing business relationship. We react quickly to business opportunities and give clients immediate access to senior level decision makers.

"In the case of the Cobra Beer deal, the short completion time was largely due to the ability of both management teams to select quality advisers and brief them accurately, paving the way for a straightforward deal process.

As a direct response to the credit crunch, an increasing number of businesses are seeking flexible and accessible funding to drive growth through these tough times, the demand for asset based lending has grown over more traditional forms of financing. With few providers able to offer a full range of asset based lending products in the mid tier deal making arena, Leumi ABL is well placed to support the growth ambitions of businesses with funding requirements from £2.5 million to £25 million – both through the 'credit crunch' and beyond.

The next 12 months will continue to see some challenging times for many businesses. With increasing consolidation at the upper end of the market, a smaller number of better placed businesses look set to better weather the storm. Their advisers and funding providers need to work together effectively and creatively to structure the optimum deal for success.

Phil Woodward offers a piece of advice to the deal-making community, "All parties to the deal must be able to build trust, truly understand the client's business strategy and have confidence in the client's long term business potential. This will facilitate a speedy, smooth and straightforward deal process for the right opportunities."

**Sweden**

Jonas Wetterfors is partner at Hellstrom Law.

Both the Swedish and the international private equity industries have grown tremendously during the last decade. The rapid increase is visible in the number of investments made as well as in the size of the target companies. As a result, an increasing number of people are employed by companies that are wholly owned or controlled by private equity funds.

"Intensity going down in M&A yes, but some still doing some deals. Contentious matters and employment law has increased substantially).

**Romania**

Romania in 2008 registered the highest economic growth in the European Union (9.1 %). Furthermore, forecasts for 2009 indicate a 5% economic growth. Once again, emphasizing the strength of the Romanian Economy (Romanian Business Digest).

The total volume of foreign direct investments attracted in Romania reached Euro 7.194 billion in the first 9 months of the current year, which has helped to place Romania within the Top 10 Countries least affected by the recent financial turmoil. Moving forward, overcoming the global crisis will bring Romania a significantly increased inward FDI, as investors will be more than ever interested in implementing profitable investments

**Benelux**

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