

Meet the high street Rothschild

Shaun Sweeney may not strike deals that excite the big banks, but he is helping entrepreneurs get a decent reward for their hard work

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Sweeney finds buyers for small businesses worth between £25k and £1m (Tom Stockill)

Shaun Sweeney is one of Britain's most prolific dealmakers. But he isn't a suave mover and shaker at one of the City of London's slick investment banks, nor is he likely to negotiate a blockbuster merger worth tens of billions of pounds.

Sweeney's firm advises the little man. If you are an entrepreneur selling your small business — a butcher, a plumbing franchise, a tea shop — then a business sale agency will probably be your port of call.

It's not sophisticated or glamorous work and the tiny deals would make Wall Street scoff, but specialist brokers such as Sweeney's Turner Butler are the Rothschild of the high street — advisers that help the ordinary entrepreneur get a decent reward for a lifetime of hard work.

As the baby boom generation heads toward retirement, business is at an all-time high for Sweeney and his rivals.

“These are Thatcher's children: a whole generation of entrepreneurs encouraged to set up during the 1980s that is ready to retire. But many have a big problem — succession,” he said.

Many business owners would like to pass on their companies but find their children are reluctant to take the reins. “A lot of kids want to make their own lives instead. Inheriting your parents' company can be more of a curse than a benefit,” Sweeney said.

The succession issue is helping to make the small end of the market the most buoyant for mergers and acquisitions (M&A) advisers. Last year, the busiest investment bank in the City was Rothschild. Its 340 bankers completed 86 deals. On average, Turner Butler, with its 24 staff, has sold a business a day for the past 15 years.

Big M&A deals are driven by the state of the global economy. When growth is strong and large companies are thriving, there is a boom, generating hundreds of millions of pounds in fees for the biggest investment banks. With the recent economic turmoil, chief executives of large companies have been reluctant to embark on big acquisitions, leaving bankers scratching around for work.

However, for owners of small businesses, the decision to sell is less influenced by the macro picture, so agents generally get a steady flow of work.

Sweeney's own experience encouraged him to become an agent. He started and sold four businesses but each time had to handle the deals himself because he couldn't find a professional to help. “You had no choice but to do it yourself but I didn't have a clue what I was doing,” Sweeney said.

Thanks partly to television programmes such as Dragons' Den, Britain's entrepreneurial spirit is high, making it easier to find enthusiastic buyers.

Amberglobe, another big agency, gets about 60 enquiries a day, 30%-40% of which are from potential buyers who have never owned a business before.

"More and more people are going to work thinking, 'I don't want to be here anymore'. When they get home they scour the internet for opportunities to buy a business," said Rupert Cattell, founder of Amberglobe.

Buying an established business is usually much easier than starting one from scratch.

The economic gloom is forcing some people to consider other career options. "A lot of the enquiries we get are from people who have been made redundant but are too young to retire," Cattell said.

Most small-business owners aren't looking to be the next Deborah Meaden or Peter Jones, the serial dragons who have made fortunes from their ventures. "The average owner just wants to make enough money every year to pay himself a decent salary," Cattell said.

In the UK last year, the average deal that a City investment banker advised on was worth £100m, according to Dealogic, the analyst. Most small businesses will sell for a tiny fraction of that — between £25,000 and £1m.

At the bottom end of that range, a budding entrepreneur could get a 32-seat cafe in northwest London through Businessesforsale.com, where most agents advertise firms on their books. At the top end, you could just about afford a five-star hotel in Harrogate.

Children's nurseries are in big demand. "A lot of women are going back to work full time because times are hard, so childcare is booming," Cattell said.

A butcher or baker would be more difficult to sell. "There is usually a buyer for every business but those that require specialist skills are harder to sell," said Gordon Mair, director of Cornerstone, a Scottish business transfer agency. Most agents work on a no-win, no-fee basis, earning between 2% and 8% of the price tag if the business is sold. The majority fetch less than £250,000.

Turner Butler has nine regional offices, each with a team of sales advisers whose job is to visit every client.

When the typical client is the man on the street there are few big, single pay days. This means deal volume is vital and advertising is crucial. Turner Butler uses 80 websites and advertises in newspapers all over the world.

"The more people who hear about a business, the more likely you are to find a genuine buyer," Sweeney said. Buyers are vetted to make sure they have the money to conclude the transaction.

Sweeney has a database of 25,000 recognised buyers and each receives a weekly newsletter of opportunities.

Finding a buyer doesn't guarantee a deal. Once the sale process is under way, many owners will change their minds and decide to hold on to their businesses for a few more years.

"Some entrepreneurs don't realise how good their business is until there is interest from potential buyers. That's when they decide to keep it," Sweeney said.

There are basic criteria that firms should meet and profitability is the most important. "If a business doesn't make any money, then it's hard for us to make any money by selling it, so we are unlikely to take it on," Cattell said.

Company accounts are scrutinised to check how a business has performed. This helps in coming up with a price tag but cannot provide the whole picture. "It is vital you see a company with your own eyes. You can tell only so much from its accounts," Sweeney said.