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Should we be believing all that we read?

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THE credit crunch has been with us for about a year now. Twelve months ago Doncaster-based Keepmoat was the subject of a £783m MBO just as the credit markets were tightening and commentators were predicting doom and gloom.

Since that time there has undoubtedly been a lot of fall-out from the liquidity crisis and there has been a 'double whammy' effect with economic conditions also becoming much more difficult in terms of rising fuel and energy bills, etc.

All of this has made for pretty unpleasant reading in the national newspapers with a seemingly unending daily diet of doom and gloom. So is this an accurate reflection of corporate prosperity and prospects in this region?

M&A activity is always a useful barometer. The regional M&A marketplace has seen an unprecedented level of activity in the last year.

Indeed the Keepmoat deal referred to above was at the time the largest buyout ever seen in Yorkshire, a title that was usurped only three months later by the £945m buyout of Firth Rixson in November 2007.

There was also a raft of other substantial deals involving major local businesses such as Amco Corporation, CPL Industries, Davy Markham, ESS, Hillfoot Steel and Polypipe Building Products. When you overlay the virtual tidal wave of (typically smaller) deals transacted in the run-up to the change in the capital gains tax regime, it all amounts to a remarkable year.

So if the last year was arguably the most active in living memory, what are the prospects for M&A in the year to come?

My own view is that the impact of the economic downturn is likely to be felt less severely in this region than in some other parts of the country – partly because of the region's natural resilience but also because of the still healthy presence of specialist manufacturing and engineering businesses with a strong export focus. These attributes stand the region in good stead.

I feel similarly about the impact of the credit crunch. The 'mega' deals and ultra-high leverage transactions will be few and far between. But the lower to mid-market (sub £50m) deals are still there to be done. Funders are being more cautious, debt multiples are lower and debt is more expensive but these are all simply market corrections. Funding is still readily available for properly structured deals.

Indeed, the current economic climate means that there will be opportunities for the 'nimble footed' – our current high level of activity is testament to this. So don't believe all you read in the national newspapers…