

David McClelland Carlton Strategy Advisors



A director at Carlton Strategy Advisors, David McClelland specialises in providing commercial due diligence to private equity investors and bank lenders. McClelland speaks to Dealmakers Monthly on his firm and one of his recent deals.

CARLTON STRATEGY ADVISORS

A commercial due diligence and business strategy consulting firm based in London, with national reach, CSA aims to identify areas where it can add value to client transactions in the areas of private equity investment and bank structured debt lending.

With an emphasis on the small and lower-mid market, the sole objective of our work is to deliver a comprehensive understanding of the health and character of a target company or portfolio business which permits our client to navigate the transaction process successfully.

Our business and market analysis bring transparency and perspective to client investment and lending decisions. We provide clear opinion about the strategy and competitive position of a target business, which shapes revenue and margin performance thereby determining deal value and attractiveness.

DAVID MCCLELLAND

I set up Carlton Strategy Advisors as an independent commercial due diligence company in 2009, after a decade undertaking transactions services work in the CDD arms of two, top-ten UK accounting firms and a 20-year international corporate career spent in industry.

I saw an opportunity to fill an unmet need amongst clients in the lower mid-cap space for a differentiated commercial due diligence service - one based solidly on the ability of the advisor to provide evidenced-based judgement and opinion about the real points of concern to bank and private equity clients when they are considering a particular transaction with the key word here being 'opinion'.

I am very pleased to say our clients seem to welcome our approach, as evident by our deal flow so far. Clients want to know what they are potentially getting into - for better or worse. They can then build in the relevant facts into the investment case and proceed from there. The last thing they want is a level of more ambiguous commentary from advisors not prepared to 'come off the fence' on matters.

THE DEAL

In January 2012, CSA supported WestBridge Capital and its prospective banking partners in connection with the successful management buyout of Aero Stanrew.

Aero Stanrew serves a demanding customer base comprising of a range of primary (tier-I) aerospace and defence manufacturing organisations, such as Goodrich, Rolls Royce, Thales and GE, organisations that themselves feed top-end supply chain demand created by the programme build requirements of major original equipment manufacturers, such as Airbus, Boeing and a number of important defence contractors.

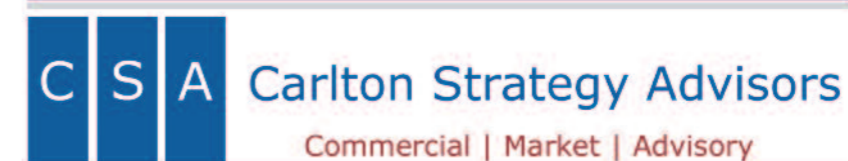
DEAL CHALLENGES

We examined the Aero Stanrew business plan prepared by the company management in support of the buyout. A key feature of the plan was the business's ability to further develop the company's position as an integrated supply chain partner to tier-I customers across the fields of electromagnetic/electronics subcomponent design, materials/parts procurement, assembly and document control.

The focus of the commercial diligence was therefore on such matters as the perceived willingness of the industry to adopt a supply chain partnership model, particularly, in the areas of technical and commercial collaboration. The diligence, which included extensive market/competitor analysis and customer referencing, provided an overview of the main market drivers and sources of competition which, according to CSA's interpretation, could permit the business to develop its supply chain partnership model and successfully grow sales over the next five years.

MOTIVATIONS

Carlton Strategy Advisors' commercial due diligence is director-led and process driven based on original thinking. Our proposition comprises a skills base that combines professional consulting service and pragmatic, corporate management experience. We enjoy sitting with our client to discuss specific deal issues before reaching agreement on project scope in line with complexity, available timescales and cost. It is our natural preference to work with repeat clients in order to become as familiar as possible about individual lending and investment preferences, deal strategies and expressed zones of transaction comfort. **DM**



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