

READY TO

THE ECONOMY HAS BEEN SO SICK THAT IT'S HARD TO BELIEVE IT WILL EVER GET BETTER – BUT IT WILL, SAYS **ALEX BLYTH**

Hard though it might be to remember now, in the summer of 2007 it seemed as though the good times would last forever. The economy had been growing for so long. So many previous predictions of recession, such as the Asian crisis and the dot.com bubble, had come to naught. Even the prime minister had famously declared that he had put an end to boom and bust.

But of course the recession did come, and it brought a great deal of pain to many parts of the UK economy. For much of the last two years it has been hard to find any positive economic news amid all the reports of evaporating credit, rising unemployment and the steady drip, drip of companies closing. It has been so awful for so long that it now seems as though the recession will never end.

It will, however, end at some point. And those businesses that have planned ahead, that have anticipated the opportunities and that have put in place the capital and the resource to take advantage, will be those that emerge from this recession the strongest.

SWIFT EXIT?

There is considerable debate about when the recovery will occur. On one hand, according to BDO Stoy Hayward, it will begin as soon as November 2009. The firm's Output Index, which measures short-run turnover expectations and order book strength, saw its largest monthly increase in 13 years in July, when it rose to 95.1 from 92.3 in June. If these expectations are realised it would mean that the UK joins France and Germany in making a swift exit from recession.

On the other hand, Marc Fecher, a corporate finance partner at Kingston Smith, anticipates a slow recovery over the next 12 to 18 months led by the healthcare, pharmaceutical, education, and food and drink sectors. For corporate finance professionals he believes this will lead to an increase in the levels of transactional work with more and more business owners looking for assistance with exits, partial exits, refinancing and other strategic advice.

All agree, however, that there will be a recovery at some stage. It is therefore surprising how few accountants are currently taking the time to look up from the daily grind of surviving recession and

to contemplate the opportunities on the horizon.

Catherine Matthews, a partner at insolvency practitioner Tomlinson's, observes: 'We speak to accountants every day and they are currently far more concerned with keeping their remaining clients afloat than preparing for life post-recession.'

PLAN AHEAD

So what should accountants be doing now to prepare for this recovery? Before anything else, they should ensure that their own business is safe. To do this they must realise that, even when the recovery does come, the world will not go back to how it was in the summer of 2007. Gary White, corporate finance partner at Essex chartered accountancy firm CBHC, says: 'Review the goods and services you offer and the relationships you have with your customers. Are they still relevant or do you need to adapt them to a leaner, more aggressive marketplace?'

As well as making these defensive moves, accountants should be helping their clients to identify opportunities in this changing market. Fecher at Kingston Smith offers this advice: 'Companies need to stop looking inwardly, and start looking around to identify the many great opportunities to build value through merger and acquisition that are currently available in the market.'

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Growth usually requires capital, and, as we all know only too well, that is in short supply right now. So, the advice of Peter Hemington, partner at BDO Stoy Hayward, is to plan ahead now so you will have enough finance when you need it. 'We expect to see a steep recovery as companies start to rebuild inventories,' he says.

'The main blockage will be the lack of capital in the system, so I would advise corporate finance

RECOVER?

professionals to be going all out now to raise capital from wherever they can find it.'

FILL THE GAP

Growth also tends to require good staff, and this will be a further challenge for many accountancy firms, especially those that have spent the last two years slashing headcounts. Paul Samuel, director at recruitment firm PDS Resourcing, says: 'A lot of firms have let too many of their transactional staff go. This means that by 2010 experienced, reliable transactional people will be in demand again and their salaries could well become inflated. These pressures will be further compounded by a lack of graduates coming through the system, following reduced recruitment intake levels. My advice? Fill these gaps sooner rather than later.'

PROCEED WITH CAUTION

It is important to make plans for the recovery and to ensure that everything is in place so you can benefit when it does occur. But it is equally important not to rush too far ahead. We are not there yet, and in September the Organisation for Economic Cooperation and Development predicted that the UK will still be stagnant by the end of the year.

The Paris-based think-tank said that the UK economy will shrink in the third quarter and register zero growth in the fourth quarter, while the US economy will grow by 2.4% in the fourth quarter and the euro area's economy will increase by 2%.

Observers such as Guy Strafford, chief operating officer of BuyingTeam, which advises finance staff on cost control and procurement, agrees that we still have some time to wait before the recovery. 'We will see a long, slow economic recovery,' he says. 'We are more likely to face another dip before the economy picks up again, and it will only really kick back into gear again in early 2011.'

Even if it does take that long, the time to plan is now. Analysing changed markets, identifying the opportunities and securing sufficient capital and resource all take time. Too many businesses failed to prepare adequately for the recession, and they paid a price for that lack of foresight. Their accountant can help them avoid making the same mistake twice.

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CASE STUDY: BIG DEALS



Simon Cowie is a partner at Aberdeen accountancy firm Hall Morrice. He is expecting important developments in the market. 'There has been significant change, and there will continue to be change, in the way deals are structured,' he says. 'We'll see far fewer debt-based deals and more based on equity. Corporate finance departments need to be ready to offer advice and assistance on putting these deals together.'

He continues: 'Although cash is more accessible at the end of 2009 than it has been for the previous year, it will be more challenging to secure than pre-2009. Rather than dispersing cash via dividends or share buy-back, companies are now adopting a cash accumulation model. Clients will be increasingly looking for advice on cash management.'

He believes he has a clear view of where the opportunities will lie in the months ahead. He also expects to see an increased number of deals being struck and requiring his firm's support. So, he has already begun staffing up in time for growth in 2010. He says: 'We foresee a return to increased deals next year. Getting the right staff on board now for this upturn means we're able to develop the team and show new recruits our way of doing things.'