

Corporate Britain can lead by example in uncertain times



Mohsin Issa, left, and brother Zuber sold a stake in Euro Garages



The EU vote has caused a seismic shift in the business landscape — but it will bring a host of new opportunities, writes HSBC’s **Dan Howlett**

TIMES change and we must change with them. The adage is as true today as it ever was.

Change and uncertainty were the watchwords for much of the first six months of the year, dominated as they were by the debate over Britain’s place in Europe, the volatility of global commodity prices and the battle for the presidential nominations in the United States.

With the EU referendum decided, the changes Britain faces will be even greater, but I firmly believe that if our companies can look ahead and seize the opportunities that appear, they will prosper.

As an adviser and lender to

many of the companies appearing in this year’s Top Track 100, we have seen some significant corporate decisions, such as strategic acquisitions and fundraisings, put on hold. In some cases, there is a need for more clarity about the timetable for Britain’s exit and the effect it will have on the cost of doing business with Europe.

However, we also hear that for most of Britain’s largest private companies it is business as usual. Those serving the domestic market in particular are pushing ahead with plans to serve their customers better, launching new products and services and hiring the staff they need to achieve this.

Companies with international operations are already assessing the impact of the vote on their trade with Europe and elsewhere. The rules governing our trading relations with many of the fastest-growing economies in the world were agreed at an EU level and will, in time, need to be renegotiated. Yet that will not stop some of our most innovative companies succeeding in the short, as well as the long, term.

Look at Sir James Dyson’s plans for his firm. He is confident that Dyson (No 24) will continue to grow its exports, helped by a weaker pound and by Britain moving onto the front foot again.

Two-thirds of the Top Track 100 already operate internationally, which helped to drive overall sales up 3% to £173bn. In the future, Britain will have to trade more with the rest of the world and these companies will lead the way.

Investment in research and development at Top Track 100 companies such as Dyson, construction group JCB (No 14) and chemicals giant Ineos (No 1) remain key. Some of the world’s most influential innovations have emerged at times of upheaval. Microsoft’s operating system for PCs emerged in the wake of the oil crisis in the early 1970s; Skype made its first calls over the internet in 2003 after the dotcom crash; and more recently Airbnb pioneered the “sharing economy” in 2008 as the financial crisis led to recession. Adversity can lead to examples of great entrepreneurship.

For this reason and based on the conversations I am having with chief executives, I think corporate Britain still has plenty to feel confident about.

If companies have cash, control of their costs and working capital, they are in control of their destiny and need not be at the mercy of external events.

For those companies seeking funds to finance their growth, numerous options remain. Retaining control rather than selling a majority stake is particularly attractive to first-generation owner-managers. For instance, when the founders of fuel forecourt retailer Euro Garages (No 72), brothers Mohsin and Zuber Issa, decided to raise equity capital last year, they agreed to sell a minority stake to TDR Capital. The deal reportedly valued Euro Garages at close to £1.3bn.

Mohsin said: “The guiding principles of any successful retail business are to invest in capital infrastructure, people and systems. Introducing a new equity partner presents an uncertainty as to whether the same approach will be followed. When selecting a partner, it was essential to ensure the same values were

embraced. The minority stake approach provided a good platform to begin nurturing that private-equity relationship.”

Value retailers such as TJ Morris (No 33), Wilko (No 34), Matalan (No 49) and The Range (No 90) have also prospered as discount shopping becomes more firmly established. Plymouth-based The Range, for example, now has 122 stores and its founder and chief executive, Chris Dawson, who set up the business in 1989, has plans for many more.

So, despite the inevitable uncertainty the EU vote result has created, I remain optimistic about Britain’s prospects. Companies can focus on growth and HSBC is committed to helping, domestically and globally. We have a strong balance sheet that can support our customers and their ambitions.

There is more change to come, but I am confident that this year’s Top Track 100 companies are well placed to turn that to their advantage.

Dan Howlett is head of UK corporate banking at HSBC