When the long, hard road to the top is worth travelling

Shop Direct traces its roots to the Littlewoods football pools

Britain's largest private firms have been on great journeys and are ready for what's next, writes Linklaters' **John Lane**

IN AN age when technology companies can become household names almost overnight, many of Britain's largest private companies have been on far longer journeys. This experience has helped define them while fuelling their hunger to succeed.

Ninety of the 100 companies listed this year were founded before the turn of the millennium — before Facebook and LinkedIn were twinkles in their founders' eyes.

Almost a third were established before 1950, and 14 before the turn of the last century. Just as Linklaters began in London in 1838 with the partnership of two solicitors, John Linklater and Julius Dods, so all these companies grew from humble beginnings.

For a large number, their initial success was followed by periods of slow growth, and sometimes internal strife. Many achieved what modern tech start-ups like to call a "pivot", reinventing their business models to serve their customers better.

While the implications of the EU referendum result will dominate our domestic agenda in the coming months, it is reassuring to see that many of Britain's largest private employers have traded through significant political and economic turmoil before.

Shop Direct (No 21), for instance, traces its roots through the Littlewoods mail-order catalogues to the football pools betting operation established by Sir John Moores in 1923. Under his leadership, Littlewoods became the largest private company in Europe by the 1980s but struggled to reinvent itself with the decline of the traditional catalogue model and the growth of internet retail in the early 2000s.

In 2002 the entrepreneurial brothers Sir David and Sir Frederick Barclay bought the business and merged it with GUS Home Shopping.

The group was restructured and renamed Shop Direct. Under the leadership of CEO Alex Baldock, it has become an award-winning online and mobile retailer, with brands such as Very. Its success feeds through to its bottom line, with profits hitting £124m last year on sales of £1.8bn.

Many other Top Track 100 companies are on a similar upward path. Take the fresh-sandwich chain Pret A Manger (No 85), which was founded in 1986 and is a new entrant to the club this year, with sales of £676m, up 14%. Its trajectory has not been without hiccups.

The co-founders, Sinclair Beecham and Julian Metcalfe, sold a 33% stake to McDonald's in 2001 for £50m to help fund its first international foray. After some success, it faced challenges following expansion in Japan and the US and had to retrench.

Metcalfe brought in the current CEO, Clive Schlee, after the pair had successfully set up the Japanese food chain Itsu. Schlee made Pret resilient in its home market and pruned back some of its international operations, before attracting funding in 2008 from private-equity firm Bridgepoint, which acquired a majority stake in a £345m deal.

Pret has since gone from strength to strength, rolling out its concept to new markets and introducing innovations such as its vegetarian-only pop-up shop and its casual evening dining concept in London.

At Linklaters, we have worked closely with many entrepreneur-led or family-backed businesses at key moments in their journeys.

For example, we advised housebuilder Countryside on its £1bn listing on the London Stock Exchange in February. This was the second time the company had joined the market. Its founder, the late Alan Cherry, first floated it in 1972.

The Cherry family took the company private again in 2005, before the financial crash hit. In 2013 Oaktree Capital invested alongside the family and the business was restructured. The company has since grown strongly.

When owner-managers consider the next step in their journeys, they require advisers who can see how their personal interests are intertwined with the companies they have created and built. Linklaters' private client service, with our expertise in trusts and tax planning, is an essential focus for us alongside the corporate transactional work that we do.

The decision for Britain to leave the EU will lead many owners of large private businesses to scrutinise their affairs and over the summer months they will decide whether to press ahead with transactions. Our partners are able to advise owners on their interests as corporate transactions are planned.

We believe that those looking for external funding will still have numerous options to consider. Traditional private equity will compete with sovereign wealth, infrastructure and pension funds for deals. The market for listings in London has also proved resilient over periods of disruption and volatility.

London remains a vital cog in the global financial system; the outcome of the referendum has not changed that. Expert guidance is readily to hand for all the owners and managers of Britain's largest private companies, plotting, as they will be, the next stages in their extraordinary journeys.

John Lane is a partner at Linklaters and global co-head of its equities practice