



THE BOARD'S ROLE

IN M&A

In this exclusive interview with Criticaleye, **Oliver Tant**, Non-executive Director at UK household name B&M Retail and former CFO of FTSE 100 stalwart Imperial Brands, highlights the vital role of the Board in providing guardrails around potential M&A transactions, drawing on his 40-plus year career



The role of non-executive directors in assessing M&A opportunities remains indispensable, given their obligation to provide independent oversight, strategic guidance and risk assessment. Indeed, Board-level scrutiny often guards against the potentially disastrous effects of 'deal fever', which can often afflict executive teams.

Oliver Tant knows this only too well, having been involved in hundreds of transactions over a 40-plus year career, with three of those decades spent at KPMG as an M&A-focused Partner largely on the transactions side, before becoming CFO of the FTSE 15 giant (at the time) Imperial Brands in 2013. In an eight-year stint, Oliver successfully executed a £5 billion deal acquiring US

assets, along with some significant divestments towards the end of his tenure.

In the years since going plural, he has taken on Non-executive Director and Audit Chair positions at UK homebuilder Redrow – where he was involved in a £2.5 billion merger deal with Barratt Developments – and retailer B&M. >



In this interview with Criticaleye's **Jacob Ambrose Willson, Oliver** discusses strategies for scrutinising a deal, how to assess integration as a NED and the differences between private equity-backed businesses and PlCs when it comes to M&A.

JAW: What are the main points of difference when it comes to evaluating M&A opportunities as a NED, compared to being on the executive?

OT: I think the challenge is you're given a more limited data set. As a CFO, you've got access to all the information you need to make the commercial judgement as to whether the value is right. As a NED, you're one step removed from that—you basically rely on the publicity of the machine that's trying to execute the transaction. And therefore, part of the challenge is to determine at what point in time that valuation is right.

JAW: How would you compare your experiences of M&A in listed businesses and with PE-backed firms?

Oliver Tant
M&A Deals in Focus:

Deal: Imperial Brands £5 billion acquisition of US cigarette brands
Year: 2014

Oliver's role: CFO, Imperial Brands

Deal: Redrow-Barratt Developments £2.5 billion merger
Year: 2024

Oliver's role: NED and Audit Chair, Redrow

OT: When you're operating in a listed market environment, it's much easier, because all you're basically doing is determining whether you think the executive team is making the right decision based on valuation. And you do have in that situation a much easier route to understanding the value creation model. The complexity in private equity is that the ownership structure means that sometimes you can do deals which aren't necessarily optimal for the entity concerned, but do work in the context of the overall fund model. In a listed market position, it's pretty straightforward to see how it benefits or disadvantages the investor group, because that complexity doesn't exist in quite the same way.

JAW: Can you talk through any examples of your role in scrutinising a deal as a non-executive?

OT: I think you can look at it in terms of degrees of proximity to your own business. In my case, it was two house builders – Redrow and Barratt Developments – recently merging. You could very clearly see they were identical in pretty much every respect, other than they serviced slightly different parts of the market. Actually, there was a considerable advantage to their merger because they filled the product spectrum and there were significant synergies on the supply side in terms of land, which meant that they were capable of churning capital more quickly with a broader product proposition.

Now, if the housebuilder had been trying to buy, for argument's sake, a brickmaker. Then you might have turned around and said, 'Wait a second, whilst I know we use that as an input, where are the economies of scale? Where

are the synergies going to come from that are going to drive the execution of this? Exactly how accretive, in valuation terms, is it?' You've got to make that decision early on. Once you've decided on a framework and you understand the strategic opportunity, then at the point of time of execution, whichever target you choose becomes much easier to rationalise. As a Board, you should expect to be having that discussion way before the opportunity suddenly emerges.

JAW: On the post-deal integration phase of a piece of M&A, how involved should a Board be in that process?

OT: You've got an investment hypothesis that's been put forward. As a Board, you should be reasonably assessing the performance of your executives by understanding the extent to which they've delivered against that hypothesis. That's the level at which you should operate. So, if they said there was going to be £100 million of synergies, and that 70 percent of those are going to be realised within 12 months, that's what you should be looking for. If they said it was going to cost broadly two times the synergy benefit, then that's what you should be looking for.

It [an acquisition] should be a merger of parties, both of which have some merit in the vast majority of situations, unless you're really just buying a customer base and looking to remove their fulfilment capability and leverage up yours. You should be looking to see some 'best of breed' decision-making as well. I think it's pretty important post-integration to ensure that when it comes to execution, that's exactly what they're doing, if that's the hypothesis. >



JAW: What is your overall take on the current landscape for M&A? Where are the opportunities emerging?

OT: In the listed market there's no question that assets are cheap, so you therefore might expect the listed environment to be one where we would see increasing levels of interest. I think there are some very clear drivers of that, and I don't think it's necessarily purely around the performance of those businesses. Some of the yields on those businesses look remarkably high, relative to their international peers.

There is an element where more UK investment institutions are matching assets and liabilities from a risk profile perspective, and as the demographic

matures, there's a rebalance of some of the investment strategies for some of the underlying pension insurance assets towards annuitised income streams. So, equities become less attractive to them, and the UK market suffers disproportionately. That's the theme internationally. The UK has suffered disproportionately, so assets are cheap.

So I think, interestingly, most listed Boards ought to be looking at whether the best way to drive valuation is to do M&A or, quite frankly, to start buying your own shares up to take out that surplus of supply of shares, versus the demand that exists in the market.

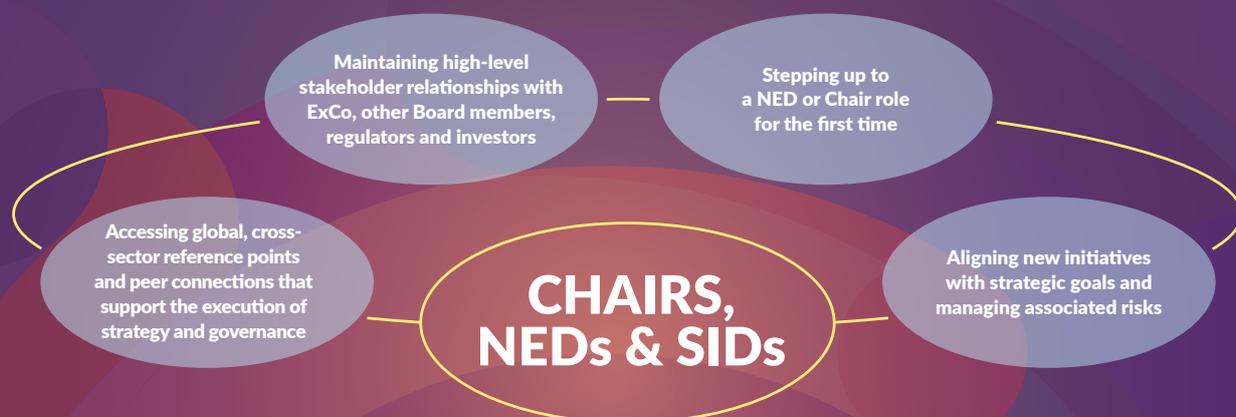
JAW: What's your outlook on the private equity market?

OT: The difficulty for PE is that if the public market valuations are poor, then it becomes challenging for them to consider listed exits. I think there will be growing pressure on some of those institutions to realise some of their assets, but they are not getting the right value for them, then that's going to make it complicated.

Many of them may well hang on. We may see more secondary buyouts as the industry as a whole looks to stall the moment when it realises the value of its investments. I think you might see them begin to shift their interest towards making the assets internationally more attractive, with a view to listing them on the markets that give better value. ■

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