ANGEL NEWS™

THE INTERVIEW

It's not often we get the opportunity to interview a great entrepreneur like Chris Blackham, the founder of Layton Blackham – in this interview he answers our questions on building his business and why all great businesses should look at insurance as something they should buy and not be sold

On 12th January 2007 AXA (UK) Plc, via its subsidiary Venture Preference Limited, purchased the remaining 61.1% of Layton Blackham Holdings Ltd that it did not already own.

Chris Blackham has grown Layton Blackham from scratch since 1984 and remains fully involved in the business post the acquisition.

Q. So you have just closed your deal with AXA, how does it feel?

A. I expected it to be an anti-climax but negotiating the deal was very challenging and exciting and I got quite an adrenaline rush post completion, communicating it to our staff, clients and the market.

Q. Why did you do the deal?

A. To realise part of our investment and to raise cash to expand the company and to secure the management team who have worked for me, at a time when the tax system was favourable.

Q. There are various groups "making a play" on the insurance market at the moment, but you are unusual in that you obviously saw the opportunity years ago - could you tell us a bit about how you started out?

A In 1984, when I started out, I shared offices in one-room above a shop in Covent Garden with two other businesses. We had dead rats and sawdust on the floor. The office was on the first floor of the building and, somewhat bizarrely, had an outdoor toilet, which used to freeze in winter!

Our first year's income commission was £34,000. When we sold the other day we employed 465 people and had directly owned turnover of £100m, secondary turnover of £50m and £23.5m of net revenue.

I financed the business by borrowing money (via Preference Shares) from companies that could see an additional value in what I was doing. In 1997, I borrowed money from Provincial Insurance with the idea that one day they might be a potential buyer of the business and then they were (AXA purchased the Provincial brand)! It has been a long term strategy of growth through reading my market well.

Q. What made you take the plunge?

A. In turnover terms, now we are part of 15th largest company in the world, but back when I started, I felt that I would be limited working for a big company. Such a route would not have let me realise my financial goals. With the benefit of hindsight I have now found out that I am an entrepreneur at heart and love to be hands on. I needed those skills to grow the business. I have always regarded myself as a benevolent autocrat and this has been crucial to our growth. Like most businesses we needed a team, but we had to have a strong driver with everyone’s interest at heart who led them.

Q. Who has particularly helped you on your way?

A. Geoff Bradford - it was the best strategic move I made bring Geoff on board. I met him after he had built a successful firm of management consultants and challenged him to put his theory into practice in my business where hands-on management was key! Working together, we proved his theories right and have built a great business I am very, very proud of.

Geoff Bradford is Managing Director of Layton Blackham Ltd and was formerly MD of the Management Consultants Resource Evaluation Ltd

Q. What have been the seminal moments in your career?

A. The hardest decision I ever made was to leave a big company and go out on my own. The great thing was that having made the decision and having never looked back it, I know it was the right one.

The second big moment was deciding to raise money to grow the business. In 1997 I raised preference share capital so we could make acquisitions and that strategy enabled us to gain critical mass. Soon afterwards, the market went against us and suddenly the preference share capital was getting close to our total equity value and I had to re-negotiate the terms to convert them into ordinary share capital. It was that move that allowed us to fly because our gearing (debt: equity ratio) was then right for our type of business. We got a good deal in the end, but the negotiations took two years, so it wasn’t either easy or a quick-fix.

Q. Did you have to do the 100 hour weeks our entrepreneurs talk about - when if ever did this stop?

A. I still do! Today I have been flying around!

Q. How do you relax and unwind?

A. I am a sportaholic and exercisaholic - I actually miss lunches and instead I go for high intensity aerobic work-outs or I swim a mile in one lunchtime. That gives me my life balance. I am a different person after the exercise, i.e. in the afternoon, as my colleagues will testify!

Q. What are your views on being privately owned versus the opportunity of being floated?

A. I have always decided I was not the right creature to report to the City and my skills were better used in a more hands-on way in a business with the right financial structure, which is privately owned. All along we have specifically chosen not to have the City as our master.

Q. What tips would you offer an entrepreneur starting out in financial services field?

A. In the early days don't be afraid to use some of the network solutions that are available - host-type companies that can save you overhead costs. But, before you start, think long and hard about whether you want to create a large company running a lot of people and perhaps lower margins, but higher overall profits or whether you want to have a smaller, but narrow business with higher margins, but lower overall profits. For me, I relish dealing with people all the time. It would have been a very different life if I had chosen to specialise in niche markets. I have loved the challenge, but it's not for everyone.

Q. Do you have any other tips for entrepreneurs generally?

A. Every day identify what the two things are that can best take your business forward and execute them. Most people get dragged down in the day to day operations of the business and this stops them implementing the overall strategy.

Always work yourself out of a job!

Q. What techniques are there to optimise insurance policies?

A. There is an important adage when you think about insurance. Buy it, don't be sold it. Many companies and their investors do not prioritise insurance, but having the right insurance at the right time can make or break your business. The best businesses seek proper advice on insurance and use their broker like they use their accountant and lawyer.

A real broker's first priority should be to protect people's investment and to provide a service akin to those of other advisers'. He should see your insurance needs as if he works for you in-house and he should not just be selling you insurance policies.

As a buyer you have got to decide how you want to shop for insurance. Even though many businesses don't realise this, you get what you pay for, so you have to decide whether you want a Rolls-Royce service or not. Buying insurance does not have to be expensive, the best brokers will save you money by making sure you don't buy the wrong insurance and help you amend your policies as your business develops. People who buy without advice do so at their own peril.

Interestingly people who understand how to create wealth and look after their assets, understand what our job is and the difference we make. Those who have not yet got there tend not to understand and cannot yet see the value in what we do. We want to change that by working with AngelNews, so that everyone can get the best deal for themselves.

Q. What should your relationship be with your broker?

A. The key thing is you need a relationship of trust and then you need to plan with them on what you are setting out to do. They can then get you the right insurance from the start. Stay in touch with them all the time, if they know what you are doing and what you are planning they can advise you on, for example, changing your insurance policy to give you cover for your overseas sales when they start.

Q. What do people get wrong when they buy insurance?

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A. The worst mistake businesses make is going cheap on the indemnity period under their consequential loss (loss of profits) policy. More businesses go bankrupt from this than the damage from a fire. Although they are insured to get back up and running the P&L suffers too much during the time they take to get trading again and they are then done for.

Just to give you an idea, in theory (and even on a paper plan) most people believe they can get their business fully up and running within a year after a fire, but in reality many won't have anticipated in that plan the unexpected delays, such as the planning department delaying your rebuilding application. Restarting to trade is delayed, sales don't come in, cash runs out and, by then, banks and others are not so sympathetic.

Q What sort of insurance should smaller businesses have in practice rather than the package deals they are usually offered when they start-up?

A. Insurance really is about service - no package deal is going to fit a business perfectly. Why buy it, when you can tailor something that does?

Q. Why use a broker?

A. To get the tailored package I have mentioned.

Q. We think you could add best value to AngelNews by explaining to our companies how they can get the best use out of insurance. What would be your comments on this?

A. That's right. Did you know we can arrange a policy that turns the company's debt into an asset, for balance sheet purposes?

We are very excited about working with you. Insurance is badly understood by the SME market and we can provide your companies with really great service - and special products that can help them. If they let us really get to know and understand their businesses and stay involved, we can really help.

To give you an idea about how many of our clients see us, we have one that floated recently. When they made the original decision to float, we were one of only three advisers they told.

Q. We also think you could help our investors enormously by explaining how they should review the insurances of the companies they invest in and how they could protect their investment and themselves by taking out insurance. Is this true?

A. Investors can be as ignorant of the issues around insurance as anyone. Typically, in due diligence before making an investment, insurance is seen as something which they just have to tick the box on. But we know that an investor is just as likely to lose his money from the company having bad insurance, as through the financial failure of the company.

In our view, investors will win or lose on their attitude to insurance because it is a symbol of their attitude to all aspects of a growth business - if they take it seriously they will take rest of the business seriously and they will be in a strong position to understand and therefore win. From what we have seen at Layton Blackham over the years, apart from being properly insured (!), the best growth companies combine entrepreneurial flair with strong risk mitigation skills. Less good companies are dominant in either one or other of these.

Q. What is the best claim you have ever dealt with?

A. We are bound by confidentiality most of the time so it is difficult to tell you much, but to give you an idea, one of our clients was an institutional fund that was heavily exposed to the Buncefield fuel depot fire at Hemel Hempstead in December 2005. It made the largest claim after the fire. Not only did we get it paid, but crucially we got it paid much quicker than others. Many other claimants are still negotiating with their insurers today, 13 months on. I'm not wanting to boast, but our client was delighted with the result.

Q. Can you tell us some of the clients you have worked with and how they can symbolise how you helped them?

A. Our clients range from one man businesses up to household names and we are as proud of the little ones as we are of the big ones.

Q. Lastly, what are your views on international expansion?

A. In my area, there is enough opportunity in the UK and I am a great believer in staying focused and knowing what you are good at, so we deal in UK-based companies and property owners, whether or not they are UK owned. But we also insure their overseas assets. So we understand and advise on insurance at an international level, it's just that we don't set up our own offices overseas.

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