

# The Daily Telegraph

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BUSINESS

## He'll take you on a rollercoaster ride

### MONDAY INTERVIEW

Strand Hanson chief has found a lucrative path through Aim's shark-infested waters

**Jonathan Sibun**



**T**his article may not be for you. If you regard betting shops as the devil's work, keep your cash stashed under your bed or plain don't like risks, stop reading. There's really no point in your wasting your time.

But if you've got a little bit of the daredevil, love the rush of a gamble or just have more money than sense, please do read on.

There aren't many companies that come with a health warning but Strand Hanson appears to fit the bill. Where the tricky question of risk versus reward is at its most pronounced, the Mayfair-based advisory boutique is there or thereabouts. At one end of the scale Strand has advised companies that have seen their share price rise by a multiple of 300 times in a year.

At the other there are clients involved in alleged fraud, share suspensions and stock market disasters. If would-be investors want to learn the risks of putting all their eggs in one basket, it's written here.

Strand's focus is on London's junior Aim exchange, in particular on mining and natural resource companies. The group's 37-year-old chief executive is

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EDDIE MULHOLLAND

Simon Raggett led a management buyout – or ‘palace coup’ – at Hanson Strand in 2009

unapologetic about what that involves.

“If you're going to sell Aim as a marketplace for international growth companies, by definition you have to go to emerging markets and with that come all the attendant risks,” says Simon Raggett, charming and sharp in a crisp white shirt and jeans. “With the markets we operate in, unashamedly it's never going to be a straight line upwards. There are always going to be regulatory or political issues. Unfortunately there isn't much oil in Kensington, apart

from in the big sports cars.”

Raggett has run the boutique for two years, overseeing a strong period of growth. The firm has led some of Aim's biggest deals, appointed corporate financier Robert Hanson as chairman, and sold a 9.9pc stake to Russian investment bank Renaissance Capital.

The breakthrough came with a management buyout in May 2009 that saw Lord Ashcroft and the firm's founder, Richard Fenhalls, sell out. “We saw an opportunity – there was quite a gap between the founders

of the business, the old guard, and us. I was 34 and Richard was 64,” says Raggett, confident and ambitious.

“It was a friendly deal, or as friendly as these things can ever be.”

It sounds like a palace coup with a smile? “It's not a bad description,” says Raggett, who has since launched legal proceedings against Fenhalls over advisory fees Strand alleges it is owed. It's a claim the group's founder denies.

The boutique's recent success, Raggett claims, has led international companies to come knocking, although

Strand's chief executive isn't keen to sell out just yet. Besides, the stake sale to Renaissance Capital – which also involved the two setting up a joint venture – carries its own possibilities.

“They have an option to go up to 25pc but only if we agree. It's not worth much but it means more to them,” he says. “We're very protective of our equity – I'm the largest shareholder with 30pc and staff own the rest.”

While big bulge investment banks have suffered a slow start to 2011, Strand's first quarter has been explosive. The firm has worked on over £1bn worth of deals, including some of Aim's most high profile. The boutique advised property mogul Christian Candy on his move into mining with the buyout of Philippines-focused Metals Exploration and most recently worked with oil and gas shell Crosby Asset Management in selling a 26pc stake to Arkadiy Abramovich, son of the billionaire Chelsea FC owner.

Raggett says the firm's role is to act as a “consigliere” figure to entrepreneurs. But the key will be not to get too close – investor appetite for risky Aim flotations shows no sign of waning but the market's trust will be key. Part of that will be in keeping the difficult deals to a minimum and in recent years Strand has been involved in its fair share,

The group acted as adviser to Sibir Energy ahead of a scandal that rocked the company in 2009 and led to the Financial Services Authority fining its chief executive £350,000 for inadequate disclosure. Then there was Madagascar Oil last year when a successful Aim flotation was followed three weeks later by a suspension of the shares amid fears that the miner was about to have its assets seized by the African government. The group has also acted for controversial resources group Energem, Frank Timis's former vehicle Regal Petroleum, and Gulf Keystone Petroleum, the group embroiled in a row over allegations it took clients to strip clubs.

Raggett doesn't shy away from the problems. “The one that saw the biggest rollercoaster ride was Sibir,” he says, “It was Aim's posterchild and then suddenly you get a call you can't legislate against. The important thing is how you deal with it. The shares were suspended at 170p and sold after an auction at 500p. We were key to that,” he says. “But you expect a bit of negative press because mud sticks and people love to have a go at Aim.”

He doesn't mention that Sibir's shares had traded above 800p in the months before the scandal and is equally dismissive of any

charges levelled over the Madagascar Oil farrago. Surely there must have been investor repercussions?

“No. The biggest repercussion was from peers who didn't get the business and make snide remarks,” Raggett insists. “There were 21 pages of risk factors. Had the company thought there was any likelihood of licenses being questioned then it wouldn't have gone to market when it did.” And suggestions that the checks on companies should be more rigorous? Raggett doesn't buy that either. “The searches we carry out on directors and shareholders are often seen as overly intrusive,” he says. “To be honest, if someone asked me some of the questions we ask, I'd tell them to bugger off.”

Where Strand Hanson's chief executive does think there are failures with the market is in the power of chatrooms to force disclosures. Without them, he suggests, Aim might have avoided examples of energy explorers disclosing oil in their wells, only to admit days later that it's water. “The ability, through anonymity, to force companies to announce denials or confirmations of rumours is inappropriate. You might strike what you think is a great oil find, but you have to test it, analyse it, grade it – but if someone spreads a rumour, quite often

a company's hand is forced.

And Strand Hanson has been a victim. “Our advice would otherwise be not to say anything, but we're being forced to. We've got £1bn-plus clients who have been bounced into making these premature announcements.”

Bloggers or not, the bottom line is that those expecting to invest in Aim and see their shares slowly tick higher have come to the wrong place.

“The only thing we can do is spell out the risks...

In emerging markets you've got to kiss frogs. Anyone who goes into these markets thinking it's going to be a walk in the park is delusional,” he says. “We take companies to market that we think there is appetite for. Can I say everything we touch has turned to gold? Not in a million years. But find me a competitor who can.”

## CV

**Simon Raggett** Chief executive, Strand Hanson

**Age** 37

**Education** Queen Mary, University of London

**Career** Rothschild; Gregg Middleton; Strand Hanson

**Interests** “We have a box at Harlequins. It's informal – go along, drink as much as you can and enjoy the match.”



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