

# Latham branches out through organic growth

FORESTRY & PAPER  
NEWS ANALYSIS

**A company with roots going back to 1757 has flourished by continuing the search for new products, writes Lucy Killgren**

When James Latham first imported hardwood into Liverpool in 1757, he would probably never have imagined that the business he started would survive and thrive in the 21st century.

While George II was on the throne and the British colonies in America were still 19 years away from the Declaration of Independence, Mr Latham was collecting mahogany by ship from Jamaica and bringing it back to England.

Today, the business still occasionally sells mahogany but also a vast range of timber goods, including movin-gui, sapele, iroko and padauk as well as the more traditional oak, birch and pine. It has also recently diversified into acrylic stone, used for kitchen worktops.

Peter Latham, who was appointed chairman at the end of last year, says: "We may be 250 years old but we go out and we look for new products."

That the company is run by the same family seven generations on is in itself an achievement. These types of business have a propensity to sink into feuds, often of



Strategy plank: Peter Latham is presiding over a return to high-end goods

Daniel Lynch

Shakespearean proportions.

Mr Latham says the longevity of the business, in which 50 per cent of the shares are controlled by family members, may be down to its historical pattern of succession. "Where we have been successful is perhaps because we haven't always seen the son taking over from the father. From quite early on in the company's life we have seen, for example, uncles passing the reins to nephews."

The family connection between Peter Latham and his predecessor, Roger Latham is even more distant. They had a common great-grandfather, "so that's reasonably far apart".

Mr Latham's own two sons are not currently working in the business. Asked whether there were any plans for them to join the business, Mr Latham only says "who knows".

The 21st century James Latham now supplies a diverse array of clients from saddle and musical instrument manufacturers to builders merchants such as Travis Perkins and kitchen manufacturers, retailers and joiners.

Recently it has benefited from a strong pricing environment. The September FIM timber index, based on sales data from the UK Forestry Commission, shows that current timber prices

are at a seven-year high.

A booming construction market in countries such as China has fuelled demand for timber products, while supply has tightened in the Baltic and Scandinavian countries following legislation to stamp out illegal logging.

There is, however, evidence that the tide is turning. "Prices will come down," Mr Latham adds. "There is a bit of evidence of that already. Medium density fibreboard prices have weakened a bit in the last three to four months which is why we have been a bit cautious."

Derren Nathan, broker for James Latham at Blue Car

**Timber profits shored up by good levels of trading and higher prices**

The booming market for timber products helped push profits up 56 per cent at James Latham, writes Lucy Warwick-Ching.

Pre-tax profit for the half-year to September 30 rose from £2.9m to £4.5m on sales up 21 per cent from £49m to £59.3m.

The company, which distributes panel products, hardwoods and softwoods, said steady demand and higher prices increased sales volume and margins. Volumes were higher from July to September.

Peter Latham, chairman, said: "The company's

strategy of becoming less dependent on commodity products, where prices and margins are prone to wide fluctuations, will be beneficial in what are becoming tougher trading conditions."

He said that the company experienced good levels of trading in October and November but that prices dropped slightly on certain products.

The group declared an interim dividend of 2.5p per share compared with 2p in the same period last year.

Shares in the company, which have fallen steadily from 288p in October, rose 15p to 245p yesterday.

Security, says: "Industry reports suggest that factors including poor UK summer weather, woes in the US housing market and a slow-down in demand in growth from Asia are putting downward pressure on prices. However, Lathams has been cautious all the way along and has a habit of over-delivering."

While the company is subject to volatility in the timber market, it has taken steps over the past five years to improve stability, branching into higher value and higher-margin products.

These include acrylic stone, a material which is also used in washrooms and can be bonded with hidden joints. The company is also importing and distributing products competitors do not have, such as Finnish birch plywood, used for playground equipment.

It has ploughed money into upgrading its warehouses, hived off non-core businesses such as Nevill Long, and is opening a depot in Scotland.

It has, in effect moved back to products similar to the high-end goods with which James Latham started 250 years ago. "Yes, I suppose you could say that," Mr Latham says. "Some of these sectors we are now in are counter-cyclical, although if UK limited suffers then clearly we suffer."