Buzzacott

Exit Planning

Who it is for?

Our Exit Planning Service (EPS) is specifically designed to assist the owner-manager to maximise the value of their business with a future exit in mind.

How we can help

The value of a business cannot be enhanced without investment of either time or money. Our services identifies the "Value Enhancers" and "Value Detractors" in a business through a systematic process, prioritising where the time and money should be spent to generate the greatest return from a value perspective.

Through regular sessions and the use of an EPS action plan, we ensure the steps needed to maximise value are identified and then, most importantly, adhered to. Whether it is over a three month or five year period, it has been proven that in order to generate a return, some planning for exit has to be carried out. The good news is, it's never too late to start.

What we do

Much of the upfront work that we deliver is carried out in the first month of the process, however this can be extended over a two or three month period if required.

The key elements are set out in this insight, however each business is different and there may be a specific focus needed in other additional areas. You can be assured that this service will be tailored to your needs.

Our service does not have to start straight away. We always work with our clients in mind, and can provide a few high-level considerations (e.g. financial planning) for you to consider, prior to engaging the EPS service some months down the line. This ensures a solid platform from which we can maximise our benefit to you, while also ensuring that we work with you at the right moment in time.

We would be delighted to provide you with our Exit Planning Service. If you have any questions about the service, our Corporate Finance team can be contacted on the details below.

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How we do it

Month 1

The first month will consist of four meetings tailored to your specifications:

1) Two hour meeting outlining our full approach and the key changes to maximise value with an exit in mind.

2) Two to three hour meeting for us to appraise your business using our tailored EPS questionnaire.

3) Identification of potential acquirers to ensure the demand for the business is tailored towards their demands.

4) Preparation of an outline valuation, drafting of an initial EPS action plan, presentation, discussion and agreement of both.

The objective of the first meeting is to ensure that you understand our approach during the EPS process as well as the overall sale process, and what a purchaser typically looks for in making an acquisition. The latter is key so that you understand the rationale behind the advice that we give you. We will also discuss the headline issues that need to be considered throughout the whole process.

It is important that we understand all the key factors behind your business, be it historic and future performance covering turnover, gross profit or overheads. In addition, we will invest time to understand (if we don't already) the key factors that drive your market.

Our tailored EPS questionnaire identifies the strengths and weaknesses in your business and will form part of the basis of your EPS action plan. We will research the latest transactional activity in your sector and identify potential purchasers for your business. This is an important stage to ensure that your EPS action plan is tailored towards external demand.

Following this, an outline valuation report will be prepared, based on the current availability and presentation of financial data. The report will assess your value in the eyes of a potential purchaser. This will form the benchmark against which improvements in your business can be measured. We will also prepare an EPS action plan which will identify those areas on which action is needed to enhance value. Both the outline valuation report and the EPS action plan will be presented to you for your agreement before we finalise them.

Month 3

Meeting to assess progress on the strategy plan and subsequent update of the valuation.
You will receive regular contact from us, providing you with a review of the financials and other milestones that the business has achieved. Towards the end of the third month, we will have a formal meeting to assess progress and update the plan and/or valuation.

Months 4-12

Quarterly meetings to assess progress.
In addition to the regular updates that you will receive, we will also book formal quarterly meetings to assess progress, updating the valuation at the end of month 12. If you require more frequent assessments we can increase the frequency of these meetings as suits.

Years 1-5 (as required)

It will continue to be important to assess your progress. We will meet on a quarterly basis to provide input with regard to external factors that will effect your future, e.g. health of the M&A market in your sector. As and when a possible disposal comes on to the agenda we will discuss the specifics of timing to maximise your exit value.

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Our high-level insights

A sale strategy should be devised some time before the anticipated sale date. A few practical steps can be taken to increase value and marketability. These factors do not solely relate to profitability but include reducing uncertainty, complications and risk to the acquirer. The following are the more common issues:

Market presence
Differentiate yourself from your competitors by establishing a core area of strength within your market sector. Perhaps intensify your marketing strategy to raise the company's profile.

Presentation
Present the business in the best possible light. This may mean tidy offices, or an updated website. Ensure information is available and properly recorded to enable a potential acquirer to fully assess the business.

Rationalise
Consider separating any part of the business that will not add value to the sale. Ensure all elements of trading are visible.

Management
Either recruit a suitable successor to run the company or consider a handover period with some form of consultancy or employment.

Formal contracts
Including trading, employment and agency agreements to ensure they are transferable to a new owner.

Litigation
Conclude any litigation, either by or against the company.

Profitability
Maximise profitability and reduce non-core business expenditure.

Private assets
Remove private assets that are not used in the business. Consider also the most appropriate treatment of assets, loans to the company by yourself or the pension scheme.

Ownership of tangible/intangible assets
Ensure all assets and intellectual property are properly vested in, or licensed to the company. Secure trademarks and patents where possible.

Balance sheet
Streamline the balance sheet. Consider hiving off non-core activities to separate companies.

Reduce dependency
Dependency on key customers or suppliers can, on occasion, significantly reduce marketability of the business especially where there is a close relationship with the owner.

Environmental, Health & Safety Issues
Ensure the company possesses all appropriate licenses and complies with all required procedures. Ensure environmental concerns associated with the business premises etc. have been considered.

Property
Leases can be a liability if the buyer wishes to relocate. Try and keep terms flexible. Look also at any dilapidations liabilities you may have associated with your lease, particularly for multisite businesses. This can be costly. If freehold, secure an up-to-date valuation. This may have significant tax implications.

Taxation
Take advice on the tax considerations. Both company and personal taxation issues must be considered.

Minority shareholdings
Ensure that any minority shareholders are party to the exit strategy to avoid them introducing complications into the process.