Procuring a successful exit for a business owner

My client ran a £25 million revenue facilities management company based in the South East of the UK. He asked me to help him prepare for – and implement – a successful exit.

My mentoring objectives

My key tasks were to:

- clarify the reason for selling and what would happen afterwards
- produce a valuation using multiple approaches and manage the owner's expectations
- take steps to enhance the value of the business
- compile a list of potential buyers
- ensure that the business would remain viable after the owner's departure
- determine the ideal timing for the sale
- carry out internal due diligence checks (legals, financials and contracts)
- initiate tax planning, taking into account capital gains tax, corporation tax and any available tax relief
- decide what assets — if any — the owner should retain
- select a preferred buyer and prepare for negotiations
- draw up heads of terms, establish an exclusivity period, and obtain confirmation of the offer after completion of the buyer's due diligence
- finalise the sale, transfer the VAT registration number and take care of other housekeeping matters.

Preparing the business for exit

My client, the main equity holder, wanted to exit because he regarded the business as non-core to his other enterprises and wished to release funds to invest in his core business.

First, I pinpointed opportunities to enhance the value of the business in the short term, and oversaw their implementation.

Next, I drew up a list of potential buyers. These ranged from local competitors to strategic buyers — including international competitors with and without a presence in the UK — and company executives interested in a management buy-out.

As well as producing a traditional accounting valuation, I generated valuations based on the potential attractiveness of the business to each type of buyer.

I helped the board take steps to ensure that the business could run effectively without the involvement of the key stakeholder.

When establishing the ideal timing to maximise the potential selling price, I took into account the timing of existing contracts and planned purchases.

I launched a comprehensive programme of internal due diligence to cover all the areas that a potential buyer would investigate. I made sure that the company took corrective action as needed, and managed the preparation of full documentation.

I created and implemented a low-level third-party PR campaign targeted at the potential buyers, focusing on the progress and opportunities that the business offered.

After a review of the initial offers, I compiled a shortlist of preferred buyers, and made them aware that other potential buyers were also in negotiation.

I created scenarios showing what the shortlisted buyers could do with the business if they integrated it with their existing operations.

Once heads of terms were prepared, the selected buyer carried out due diligence and then confirmed its offer.

A fruitful exit

After five months of meticulous preparation, the business sold at an excellent multiple.

The exiting owner subsequently used the capital released to expand one of his core businesses internationally, and I joined the board of that company as a non-executive director to assist in the process.

Video version of this case study

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