KNOW YOUR NUMBER
HOW TO SELL A BUSINESS

COOPER PARRY
WEALTH

VIEWING RECOMMENDATION: This detailed guide is best viewed in landscape mode on mobile.

FOREWORD

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At Cooper Parry we work with business owners every day. And the last few months, strange as they may've been, have been no exception.

Being business owners ourselves we understand the difficult challenges COVID19 may have brought, but in tough times it's important to remember the awesome highs being a business owner brings. Perhaps over the last few months you've revaluated what's important to you. This may've got you thinking about selling or exiting – there's no right or wrong time to start this process but you can use this report to get acquainted with what it involves.

Cooper Parry Wealth and Cooper Parry Corporate Finance have joined forces to bring you this report. It explores the twists and turns of selling a business and includes insight from experienced business owners who've been through the sale process themselves.

Stephen Jones, CEO of Cooper Parry Wealth, has built a business from the ground up. The firm's unique proposition puts clients at the heart of the process and focusses on individuals rather than products. The experienced team understand just how important financial planning is during a business sale. Whether you're seeking peace of mind or planning an adventurous retirement – we've got you covered.

The Cooper Parry Corporate Finance team is headed up by Andy Parker. We're a UK representative of Global M&A, one of the leading independent partnerships of corporate finance advisers in the world, which provides our clients with the benefits of global reach and specific sector expertise. We advise privately owned businesses, business owners, management teams and private equity firms to deliver the best possible outcome on a wide range of corporate transactions. So, if you're thinking of selling a business in the near or distant future, you're in the right place. Let's get started…

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INTRODUCTION

For many business owners, the long-term goal is to sell up. For some this drives the long working hours and sacrifices being a successful entrepreneur demands.

More often than not, it's more than this. It's a deep passion to build something of value – value that plays out on many levels and satisfies individual personal goals and ambitions.

Our 'Wealth of Experience' report consolidates the knowledge of former business owners who've successfully sold their businesses, as well as the wisdom of Cooper Parry's team of experts.

We've worked with business owners over many years providing corporate and personal advice. Across hundreds of transactions we've seen what drives success and the obstacles owners may face. We also understand that selling a business can be an emotional journey, one that can be taxing - not just literally!

This report contains enlightening information about the sale process, as well as the period of planning that precedes it. As is frequently the case, the most valuable advice comes from those who have lived it.

To create the report we surveyed a group made up of experienced business owners who've all been through the sale process. We asked questions about their reasons for selling, the planning process, the sale itself and what happened when it was complete.

We've included stories from those who have earned their spurs. They share, in their words, the highs, lows, challenges and successes they have experienced.

Contrary to what you might expect, the ultimate challenge isn't always extracting the largest financial value possible. The issues and challenges are wide ranging and the prospect of removing yourself from something you've potentially spent your whole life building, can be daunting. The desired result is not easy - but at least for our survey group, it was always rewarding.

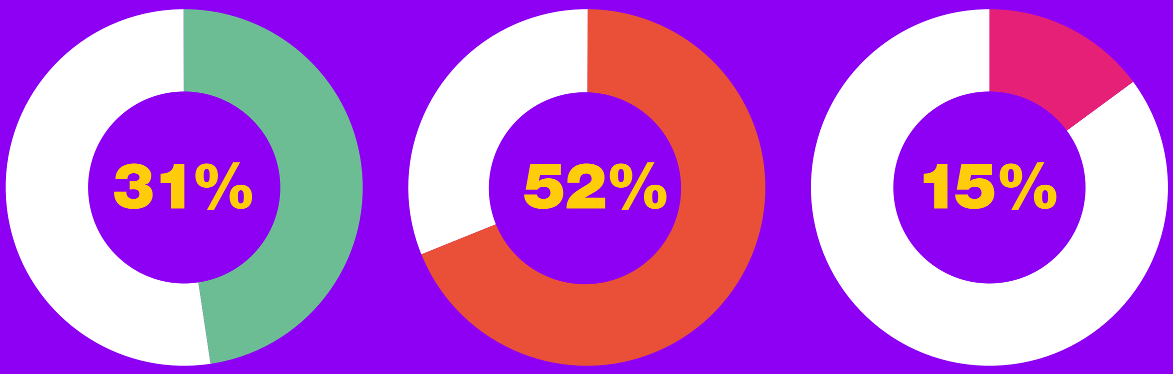
WHAT'S YOUR ENDGAME?

The day to day running of a business can often take precedence over matters such as planning for a potential sale. Although most business owners know they will sell at some point, it's difficult to know when.

As a business grows, it's a good idea to keep in mind that it might be up for sale one day - even if that day never comes there is no harm in having a business that is in ship shape for the future. It means there's less chance of any 'skeletons in the closet' emerging during the eventual due diligence process.

Commonly, business owners state that they have no exit plan because they 'don't know how to begin'. Why would they? It's not something most have done before. This illustrates a potential lack of knowledge around the exit process. Overall, our research suggests that the majority of business owners don't consider a formal plan until selling becomes something they're certain about. Although it's often the endgame, some don't consider the legwork involved in the sale process itself, until selling the business is on the cards.

When did you start planning your exit strategy?



6 to 18 months before sale | **18 months to 3 years before sale** | **3 or more years before sale**

Total sample used for infographic; 98%. 2% 'Other'.

Only 15% of our respondents started planning their exit strategy more than 3 years before the sale[2]. A study by the Wilmington Trust found that 78% of owners agreed that they didn't have an exit plan because they enjoyed running the business too much. 42% of the group also said they were too busy to come up with one[3]. The British government's Small Business Survey 2016, found that only 8% of small and medium enterprises (SMEs) planned to sell within the next 5 years suggesting that the majority of owners are in it for the long run. Even if this is the case, committing to a steady trajectory towards exit is a critical factor in realising the maximum value from a business.

At this stage it's important to note that thinking too early about getting out of a business can cause owners to set the wrong priorities. We've seen cases where the business owners were so focussed on selling, they ignored some of the fundamentals required to sustain a profitable business and that's never good. Ironically, such fundamentals are what knowledgeable buyers look for.

Sustained profitability, delivered by a robust and very capable business is very attractive to buyers.

[1] Cooper Parry Wealth of Experience Survey Q7
[2] Cooper Parry Wealth of Experience Survey Q5
[3] https://www.wilmingtontrust.com/repositories/wtc_ sitecontent/PDF/Have-You- Created-a-Transition-Plan-for- Your-Business-Future.pdf
[4] The British Government 'Small Business Survey 2016: businesses with employees'

CASE STUDY – TONY HOGG

FINDING THE RIGHT BUYER

I joined Willbond in 1972 and bought the company in 1987 in a management buyout. After working in the plumbing supply business for over 40 years I was ready to sell up, but finding a buyer who would look after the company and my staff would be key to any transaction.

After the financial crash we had worked hard to first stabilise the business and then to get it back on a growth track and now aged over 60 years it seemed a good time to start planning for my future. It was in an informal meeting with Cooper Parry that the topic of sale came up and they mentioned an electrical merchant who might be interested in buying us. At the time I wasn't sure - water and electrics don't mix! However, after meeting the prospective purchaser I learned that they were about much more than electrical merchanting and it was soon obvious that they would be the right buyer.

My business was an easy one to sell. We had very steady revenue and profit streams and we worked hard on our Information Memorandum (IM) to make sure that it accurately conveyed the business we were selling. This really showed our credibility.

If the assertions you make on the IM come through then you really build trust with your buyer. Over the years, we had always been an ethical trader and we had no skeletons in our closet to worry about. This really paid off when the due diligence came to be done and it gave everyone a lot of confidence.

We kept the sale confidential to the board and senior management and when the announcement was made it was a big shock for most of my staff. Their stunned reaction was quite upsetting and it really helped that I could tell them, hand on heart, that our new owners were a) committed to growing the business and b) were financially strong enough to withstand any future recessions and keep them safe.

"We had no skeletons in our closet to worry about."

We'd put a share option scheme in place for our executive directors to help retain and reward them for their great service. One of our senior directors actually reached retirement just as we sold and he came out with a great nest egg. This was a really positive note to leave on.

When selling your business, it really helps if you've almost made your own role redundant - enabling the business to continue operating successfully when you leave. After our sale my deputy stood up to become the company chief operating officer and the buyers asked me to stay on 3 days per week and help them acquire more businesses in the plumbing and heating supplies market. This suited me as I was very apprehensive about full retirement but, such was our success, that we rapidly became the largest independent merchants in the sector and yours truly became the Chief Executive Officer! Needless to say my 3 day week soon became 7 and it was obvious that I needed to find another successor. This has now happened and I am now almost retired but I have continued as a non-executive director of the business and this has kept me in contact with many of my old work colleagues.

Any regrets? It's like selling a house - there's always going to be that feeling that you always could have changed something. If I'd have known the outcome, I would have sold up earlier so I could have stayed as Chief Executive of the group for longer, as this really was a brilliant job. Other than that, I wouldn't change a thing. The eventual result was beyond my wildest dreams,
I feel that I have left the business in good hands and sold the business for what I believe it was worth.

If I could give one piece of advice to business owners thinking about selling, I'd say think about your life post sale and whether or not you want to retire. For the people who have built up businesses they won't want to just dump their former employees and it's a big win if you can look everyone in the eye post sale. The key to achieving that is to work really hard on the sale process which is quite taxing anyway. Undoubtedly a bit of luck is also helpful but as with all things you get out what you put in.

"The eventual result was beyond my wildest dreams, I feel that I left the business in good hands."

THE INTENSITY OF THE PROCESS

Business owners often feel very attached to their business and rightly so. During the selling process the inner workings are laid bare. Owners are asked to give a huge amount of information about their business's operation. This often feels very intrusive.

The preparation of the Information Memorandum (IM) and due diligence, can involve awkward and unexpected questions. We've heard of a business owner in the retail sector being scrutinised about their reasons for letting a salesman go fifteen years prior to the sale of the company - the lawyers will dig deep.

Owners need to be able to manage various viewpoints and opinions. Selling a business can be an exercise in diplomacy. Many build up their businesses from scratch or have been involved for many years. This can bring challenges, as it's sometimes difficult for owners to make decisions around the exit process as they're emotionally attached. This is one way that external advisers add value - providing objective opinions.

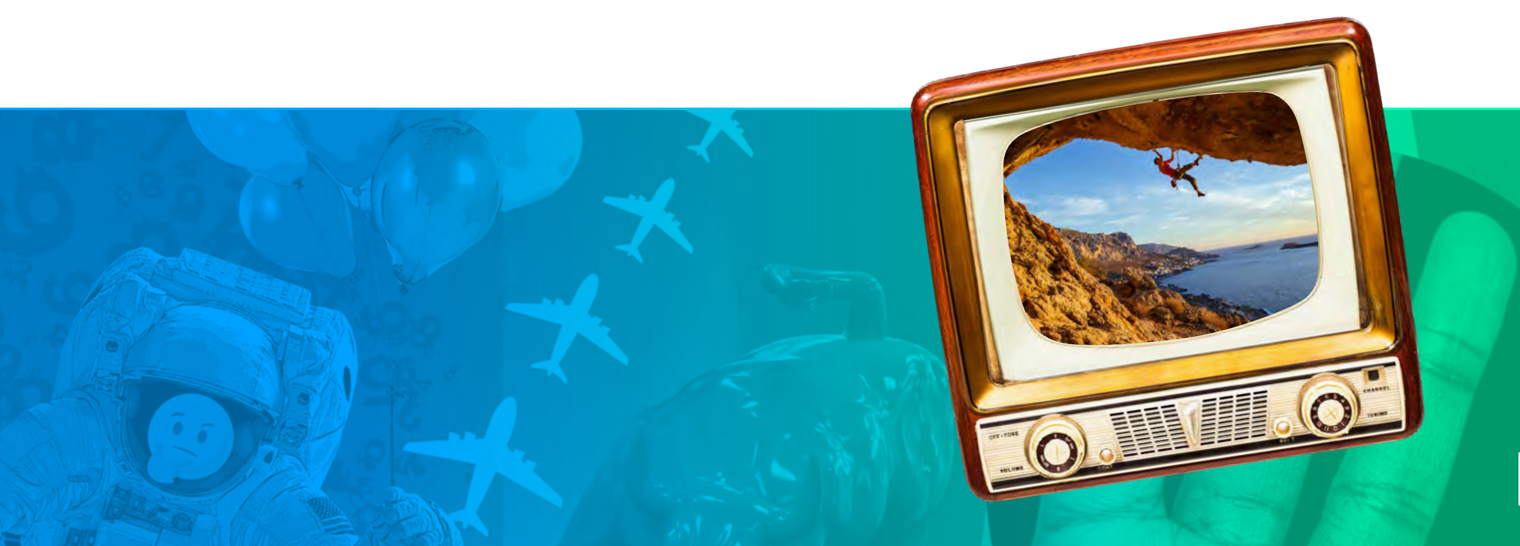
When asked, owners who have sold for the first time will frequently say they underestimated just how much time and effort it takes to conclude a sale.

It's not just the long hours and mental challenge but also the emotional drain. Those that have been through it talk about the benefits of a strong and capable team around them. A team that shares the burden and provides them with the framework and support to make sound and effective decisions.

As we've heard, there is no doubt that the exit process involves a lot of work - during the exit process owners put in long hours. Of course, all the work involved is on top of having a business to run. Decision making is often increasingly complex and important decisions are being made in what can seem like a short timeframe.

What many owners find tough is being unable to be completely open with people they have worked with for a long time while a deal is in process. Planning for a future where they're no longer part of the company can mean having to hide certain things from your trusted employees. Where jobs may be at risk after the sale, the situation can often be very hard. The constant need for confidentiality can be draining.

There is always the risk of a breach of confidentiality - something that must be managed. In case there's a leak, it's important to think about how this can be addressed before it happens by having some form of emergency plan. Knowing what to say to the staff or suppliers is highly recommended.



CASE STUDY – BRENDAN MURPHY

THE VALUE OF ADVICE

We'd got into the position where we were the dominant player in the UK in our industry and we wanted some help taking it to the next level. We went to market towards the end of 2015 with the goal of finding a buyer for our business.

The deal was with a trade company in the US, owned by a private equity house, who operated in our niche sector. The sale enabled us to release some equity from the company, de-risk a little bit and keep some control.

Although they were a trade buyer, much of the direction of the sale was directed by the private equity house who owned them.

"You've got to have your heart and mind on securing the sale."

In the run up to the deal there were three parties involved. Our Corporate Finance advisers really delivered their value. All the arduous preparations were on top of running the business. Our advice team really guided us through the process. They provided really good support. One of their guys was even based in our office for two or three months before the deal went through.

When it came to the due diligence, it was even more thorough than we thought it would be. Being a US buyer they wanted to do the due diligence themselves. They were over here for six weeks rooting through our business. It was tough to keep this out of view of our employees.

Confidentiality was paramount. We did well to keep it under wraps as much as we did.

Because we were a major player in a niche industry, when the deal was made public there was a lot of surprise. I was delighted that the employee reaction was overwhelmingly positive. The existing management team remained in place so for all intents and purposes their jobs remained the same.

We would have found it difficult if the buyer tried to impose on us. However, they trusted us to know the UK market and gave us support where we needed.

You've got to have your heart and mind on securing the sale. You need the mindset to really get the right value for the business. This said, I really enjoyed the process. It was very exciting.

There was nothing we would have done differently. The main piece of advice I'd give would be to find a good Corporate Finance company. They could understand where the value lay in our firm, not to mention the invaluable support they brought to the table throughout.

FIT FOR PURPOSE – READY TO SELL?

When selling up, a lot of effort goes in to preparing the business before the deal is done. Focussing on improving areas that are important to buyers will pay off in the long run.

Depending on the sector in which the business operates, there’s a variety of different value drivers. Here are a few general pointers that apply across the board:

Proven results

Buyers don’t generally pay for potential. Attempting to convince buyers that you’re sitting on a potential gold mine doesn’t usually result in a high sale price. Usually, business owners take the time to generate a strong revenue stream before eventually going ahead with the sale.

This doesn’t mean that buyers don’t want to see the potential for future growth but they will want to invest in something where their money looks secure. Demonstrating the business’s profitability could mean cutting down on any unnecessary expenditure ahead of the sale.

Preparing the management team

A great management team is critical to a business’s success. Buyers know this.

Having a very capable management team with strong leadership qualities shows potential buyers that a business won’t be a ship without a captain. Buyers need to clearly see who will take the business forward and that they’re in a position to make pivotal decisions without the owner.

If there isn’t a strong team in place, it can be a good suggestion to hire some top-level talent.

Getting the assets in shape

The better a business’s assets, the more buyers will pay. Even having offices that look like they’ve seen better days might detract from the value. Overall, sellers should try to make the business look good. And this includes the physical assets.

Asset valuation is increasingly complicated in modern day businesses. Traditional, fixed assets such as machinery and buildings are much easier to measure than intangible assets like the talent in your staff, the company’s culture and its creative or intellectual property. It’s often intangible assets that give one firm the edge over another, especially in the services sector.

Extra investment in your company’s assets before the sale can result in a higher sale price. Generally, investing over time out-weighs the cost of implementing the changes in the first place. It’s important to identify any potential levers to value and, where there’s an upside, invest accordingly.

Ensuring that a business is in the right state for a sale takes time and may require the help of a broad range of advisers including accountants, Corporate Finance specialists and even IT consultants in today’s data sensitive, digital world.

A focus on financial performance and leadership teams

When selling a business, the actual timing of the sale is dependent on a wide range of circumstances, both personal and concerning the business’s future. Our survey found that financial performance and management team readiness were the two most commonly cited reasons for the timing of a sale. However, personal factors such as retirement and family tensions also provided an incentive to sell for 26% of respondents[6].

[6] Wealth of Experience Report Q8

What factors affected the timing of your sale?

Factor	%	Factor	%
FINANCIAL PERFORMANCE	52%	OTHER	21%
MANAGEMENT TEAM READINESS	52%	PRODUCT LIFE CYCLE	10%
PERSONAL (HEALTH/ RETIREMENT)	26%	MACRO-ECONOMIC	10%

CASE STUDY – BRIAN IRVINE

MAKING SURE HARD WORK PAYS OFF!

I'd put my heart and soul into developing our management team, knowing this would be important when we sold. We wanted to ensure that our employees kept their jobs and I was incredibly pleased with the overall outcome.

We eventually sold to an American buyer who had the experience to take the business on to the next level.

We'd bought the company in 1998 and it was on a steep growth curve. We were supplying the American energy sector heavily and after Obama said that the US would be energy self-sufficient in the near future it seemed that the stars were aligned for us to get a good sale price.

The sale process started a few years before we actually sold. Following a beauty parade, we gave Cooper Parry Corporate Finance the mandate to identify potential buyers. As part of this, they drew on their network to approach a company in LA who had knowledge of one of our potential acquirers.

Originally, we were only selling part of our group. We were the world leading producer of a specialist type of ceramics, so we were known to all our potential buyers before the sale took place.

We were fortunate to have a considerable number of interested parties. We looked closely at each, assessing their ability to deliver against our key criteria.

It ended up being a two-horse race. There was a British PLC who were offering a larger sum pitching against a US industry buyer, who seemed to have a much better grasp of the process.

I didn't want to sell to private equity. I didn't like the idea of guys coming in waving their cheque books with the sole aim of attaining a 40% internal rate of return, with little care for the state of the company. I like to think we ran a pretty tight ship and this certainly helped the sales process. Even then, there were still things that came up in the due diligence. Preparing as much as you can for due diligence is essential. Never ever hide anything. Get everything out on the table and work out how you can mitigate issues. Things can always bite you. Always understand their implications and try to be realistic about what they mean.

There's no doubt that your business is your baby - and aligned with this is a moral responsibility for its future and that of your employees. I had to leave it to the right person to be able to sleep well at night. The US firm seemed totally committed to making it work, they didn't cut any corners, giving us confidence in their offer.

"Preparing as much as you can for due diligence is essential. Never hide anything."

Any regrets? I gave away a lot of my business as equity to employees. In hindsight, I think I would have been better to incentivise using bonuses.

For me, I spent time preparing for the sale, beyond simply managing the business. I got physically fitter before going into the sale process, just because of how onerous I knew it to be. You need to be able to cope with it mentally. You know you'll be juggling the sale with the day-to-day running of your business.

Our shareholders were informed at an early stage. Towards the tail end I think that some more people might have had an inkling, but I don't think confidentiality was ever fully breached.

"I spent time preparing for the sale beyond simply managing the business... you need to be able to cope with it mentally."

So what now? I've been keeping myself busy. I thought I'd be going into semi-retirement, but the reality has been far from it. I work six days a week, growing other sides of the business. The excitement of running a business never ends. And I can't think of anything I'd rather be doing!

GETTING THE RIGHT PRICE

Market dynamics can greatly alter the appetite and opportunity for sale and acquisitions. Macro considerations like politics, technology innovation and global economic trends have influence over the process of selling a business. Individual sectors and markets have their own dynamics that can impact sale opportunities.

The precise impacts of wider political changes vary between sectors, but larger shifts - such as Brexit or protectionist trade policies - will generally affect most sales in one way or another. Our survey found that only 6% of respondents cited Brexit uncertainty as a cause for delay when it came to sell[7], this could be because our respondents sold before Brexit was a factor.

As with all business matters, uncertainty causes decision makers to pause and buyers to second guess their decisions. Potential buyers may wait to see how things play out, meaning they are less likely to commit to a decision during unsettled times.

The value of a business

Arriving at a valuation which both the seller and buyer agree on is arguably never easy. But owners can do work ahead of a sale to make the negotiations less protracted. Getting a business in the right place can be an intensive process in itself but is always worth the effort.

A study carried out by the Exit Planning Institute of 200 San Diego business owners found that two-thirds said that “Getting full value for my business to fund retirement or other business interests” was their primary goal. However, only 40% had undertaken a formal valuation in the last three years[8].

Unsurprisingly, business owners often only have a vague view of how much their business is worth. This is generally based on an informal conversations and some market insight.

As the exit planning strategy develops a more appropriate figure, or price range, can start to be identified.

Two important elements play a critical part in defining the value of a business, especially when it comes to assessing risk:

Information Memorandum (IM)

An IM is a package of documents created by business owners to show potential buyers the relevant details of a company. It should be transparent, thorough and accurately reflect a business’s actual operations. An IM should be an exhaustive account of a company’s financial standing, assets and liabilities, business description, market position, clients, strategies, promotion methods, markets served, management and human resources.

It is the business owner’s chance to set out all the relevant details about their company in a well presented, clear, concise and detailed way - a high quality IM goes a long way to ensuring a smooth acquisition.

Due diligence

This is done to give prospective buyers an objective view of the business and involves a thorough business, legal, and financial investigation of a company in preparation for a possible sale transaction.

Expect this to be incredibly in-depth. They will need to see forecasts, budgets, monthly management accounts and a lot more. It’s common for an experienced accounting firm to do this. They will dig deeply around a company’s history and really focus on the small details, no matter how seemingly irrelevant or trivial.

The buyer will want to know what they are paying their money for and where the danger of the business’s value depreciating lies.

Before due diligence begins, it’s essential for the vendor and buyer to enter into a non-disclosure agreement. This prevents the buyer from leaking confidential information to anyone other than their advice team.

When it goes a little pear shaped

Due diligence is the stage where deals often break down. Buyers don’t like risk and will negotiate hard on areas they feel could undermine their opportunity. It’s not uncommon for parties to have a different perception of risk within the business. Disagreements may also arise around it being the ‘right fit’ and the potential impact on employees and culture - owners hold these things in high regard. An experienced M&A Lawyer and Corporate Finance adviser really earn their fees at this stage of the process.

Did your sale generate the figure you expected?

YES 57%

NO 26% More than expected

NO 15% Less than expected

Total sample used for infographic; 98%. 2% ‘Other’.

[7] Cooper Parry Wealth of Experience Survey Q17
[8] Exit Planning Institute ‘State of Owner Readiness Survey’

THE DATING GAME

Selling a business can be a lengthy process. Rome wasn't built in a day - and evidently neither are good business sales. Just 11% of respondents sold their business in under 6 months[9]. Getting a business in the ideal shape so that it displays maximum value to prospective buyers is key.

A recent Deloitte report[10] identified that there's been an increase in companies using mergers and acquisitions (M&A) to pursue growth since 2014. It's been popular as debt has been cheap and companies have had record levels of cash reserves.

Finding the right buyer depends on wide ranging factors and the relationship will be always be influenced by the buyers motives. Understanding the reasons behind a purchase is often very important. A life's work dismantled by an aggressive competitor takeover may not be to everyone's liking – so keep your culture in mind as this is often cited as an important consideration.

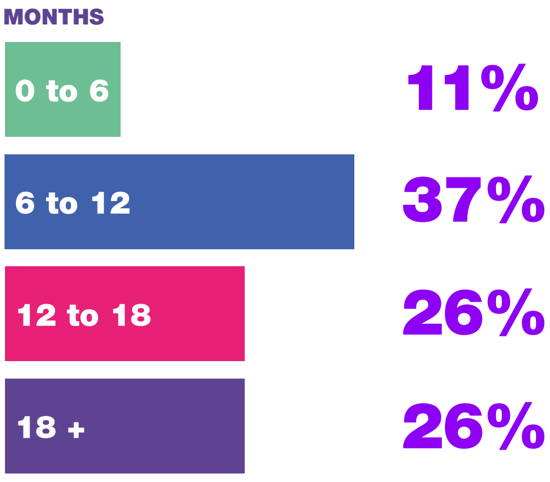
Private equity

Private equity firms often operate in a financial environment rather than an entrepreneurial one and this mindset can pose some unique challenges for business owners. They can demand a lot of visibility in the business to enable them to make key decisions.

Typically they want to back an existing, high quality management team and find a business that has room to grow rapidly over a few years. But for business owners who have previously been only accountable to themselves, bringing a private equity firm into the mix can be a massive challenge. We found that 31.6% of our respondents sold to private equity[11] and this type of buyout rose by 3% in the first half of 2018 according to Experian's H1 2018 MarketIQ report[12].

However, private equity firms usually invest substantially into a business's infrastructure - improving systems, providing funding and investing in technology which can drive growth throughout the business.

How long was the sales process from making the decision to sell, to completion?



MBOs

A management buyout (MBO) can be an attractive option. The buyers will know the business and the existing culture could remain the same for years to come. A proven leadership team are likely to continue with the existing strategy, ensuring employees remain reassured about their futures, a consideration that's important to many owners .

In addition, the due diligence process will be shorter and exit planning for the owner may be a continuation of existing planning.

The challenge for many MBOs is the issue of raising finance. In simple terms, the leadership team may have an appetite to acquire the business but not the means. Funding options could include bank debt, private equity and the vendor loaning back some of the sale proceeds to the company to be repaid over time.

Trade buyers

Business owners commonly look for buyers within their sector. Whether it's a customer, supplier or competitor there are many reasons for trade buyers to acquire businesses including growth of market share, to broaden a product offering or acquire more elements of the value chain.

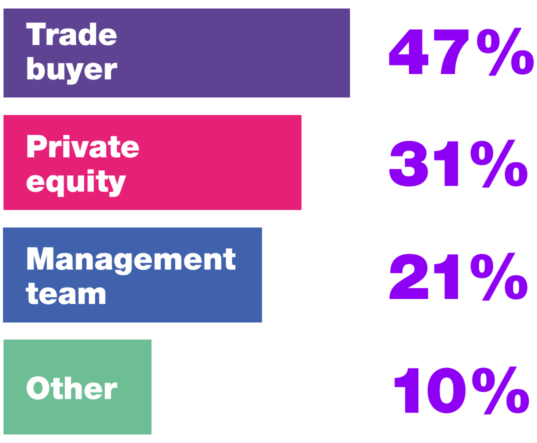
There may be trade buyers who are looking to enter the owner's sector who view a purchase as the best way to achieve this. It's not easy to identify these opportunities and a strong network of advisers and contacts can help to find buyers who might not jump out in the initial stages. In today's connected global marketplace a network that goes beyond geographical boundaries is critical.

Closing the deal

Our respondents told us that they sold their firm to a pretty diverse set of buyers. Unsurprisingly, trade buyers represented the largest portion of sales, although private equity is a strong option for sellers. None of our respondents reported that they sold their business to family members. This reflects a wider decline in the number of UK businesses that remain within families.

More of our respondents (32%) found the business sale took longer than they originally thought, compared with those who thought the sale was faster than expected (11%). Often it can be time consuming for business owners to find a buyer prepared to pay their desired sale price and undertake a thorough due diligence process.

Who was the business sold to?



[9] Cooper Parry Wealth of Experience Survey Q16
[10] Deloitte 'Past as prologue: Navigating through the 2018- 2020 M&A cycle'
[11] Cooper Parry 'Wealth of Experience Survey (Q6)'
[12] MarketIQ 'United Kingdom and Republic of Ireland M&A Review H1 2018'

CASE STUDY

SELLING TO PRIVATE EQUITY

We weren't a particularly good fit for a trade buyer or a merger and knew the best deal we were going to get was through private equity.

As a restaurant group that had been going for 20 years, we'd paid our debts off and were able to manage expansion with positive cash flow. The overall aim was to achieve a liquidity event for shareholders.

When we sold, the private equity market was incredibly 'hot' in the restaurant sector. We met some private equity firms through a Corporate Finance company. Originally there were eight PE houses involved.

"The overall aim was to achieve a liquidity event for shareholders."

The buyers we chose were the right sort of size for us, having met them several times it seemed like they 'got us'. The relationship was important but of course this has to be supported by the commercials; they were offering comparatively good numbers for our sector. They also had experience, they had a restaurant group within their portfolio and ended up buying a large portion of the business.

They restructured the Board and I remained alongside the other joint Managing Director. After a while they made me CEO and made my partner Property Director.

Private equity can take a while to get your head around from a technical perspective. We had a walkaway price set in stone but the firm tried to strong arm us at the last minute. You don't want to be greedy, but you need be fair to yourself.

It's a bit of a shock getting into their world. They carry a certain reputation. I could have prepared myself better - the culture gap was massive. The guys they initially put on our board didn't speak our language. They were incredibly bright guys but not the best for the company. In fairness, they changed them and now we're in a much better position.

The world of owner managed businesses is very different from that of private equity. There was a sense of disconnect. Post-sale I think it would be fair to say that I don't think they placed enough emphasis on our understanding of our business.

With private equity you relinquish a lot of control over your business. When we did the deal, I knew deep down we'd lost control of our business. It's also about return on investment for everyone around the table. It's just there can be different ideas about how to get the maximum returns. There's certainly differences of opinion.

In terms of preparation for sale, get on top of your due diligence. Make sure there's nothing that the private equity house can bring up to 'chip' you on at the last minute. We were able to come out smelling of roses because we made sure that everything that went in the data bank was bullet-proof.

On the due diligence side, we didn't receive any advice. However, if I was selling a business again, I would do it differently; good advice really takes some of the risk out of the deal.

Spending on the Corporate Finance side definitely helped us out over the course of the sale. The firm we used were really experienced in our sector. It takes time to get to know your advisers and see if they have the mettle for the job.

"Could we have done a deal without Corporate Finance? Yes. Could we have got as good a price? Absolutely not."

WORKING WITH ADVISERS

Hiring the right advisers is essential. They help guide business owners and put the foundations in place so that a deal can happen. Getting sound, objective advice makes it easier to reduce the part emotions play in commercial decisions. The experts can provide a more rational opinion and act as a sounding board for thoughts and ideas.

Of course, advisers don't do all the work for owners. To state the incredibly obvious they provide advice - relying heavily on client input to deliver on the best course of action during the exit process.

It's best to think of advisers as a team - not a set of independent people. Many of them will consult each other. For example, the Corporate Finance consultant might start liaising with a tax team to find ways of delivering the largest post-tax sale value to the stakeholders.

What's more, it's important that the advice team is on the same page and know what the end goal is. Alignment means that everyone works together to ensure all activities and initiatives are complementary to each other.

Finding an adviser

When looking for advisers, finding someone you have good chemistry with is key. Typically they'll be involved for a long period - over 6 months is normal, so a solid relationship based on trust is important. Ideally, over the exit period an owner will build up a great deal of rapport with their advice team.

Try to find advisers with sector experience. They will have a better idea of the key players in the marketplace, who's likely to buy, what they would be looking for, as well as how best to present the business to them. It's all about being able to tap into the advisers' network to find potential buyers and other experts who could help with your sales process.

It's best to get advice from a team comprised of advisers used to selling businesses of your sort of size. If you think your business could be attractive to an overseas buyer, make sure you employ someone who has a proven network with the potential to reach them. Due, in part, to a weaker pound, we're seeing UK firms becoming increasingly attractive to international buyers.

We'd recommend that you find someone with a detailed knowledge of private equity. Having someone who understands exactly what a private equity deal means and its impact on shareholders and the management team is key.

If you hire advisers from several different firms or companies - say you use an accountancy firm that has no ties or real existing contact with your law firm - you could potentially run the risk of it being difficult for them to stay on the same page.

However, most advisers will have an established network with whom they have worked before and are experienced at communicating with.

Corporate Finance adviser

Ideally, Corporate Finance advisers are introduced as early as possible in the exit process. To begin with, it could be on a more informal basis as having a team set up to monitor market opportunities is no bad thing. This isn't to say that they can't make a difference at a later stage, but in the best case scenario their influence and guidance early in the process can aid a better outcome. This also gives them the best chance of adding strategic input on subjects such as the next tier of management, passing on customer relationships and structuring the business in a way that will attract a larger deal.

43% of our respondents said their Corporate Finance adviser delivered ten out of ten in terms of the value they added.

Lawyer

Lawyers work with business owners throughout the exit process. Early in an acquisition, they will be conducting due diligence and preparing initial drafts of the necessary documents.

As completion approaches, lawyers will spend time finalising agreements, obtaining signatures on documents and ensuring that the closing conditions are satisfied.

M&A lawyers will work closely with their colleagues who specialise in the areas relevant to the transaction. This could be tax, employment, intellectual property law or finance. If the sale is to a foreign party, M&A lawyers will engage with local or foreign counsel to ensure that the deal is fulfilled in compliance with applicable laws.

Tax adviser

Planning ahead of a transaction is the best way for owners to sell their businesses without paying more tax than they need. With the amount of money that a sale generates, sound advice is essential. The sense of achievement following a successful sale, after years of hard work, can often be dampened at the hands of HMRC.

A lot of tax issues emerge when businesses come to be sold. Sometimes owners don't start the process early enough. It can take time to implement efficient tax strategies, and being able to apply a strategy over multiple tax years is often beneficial.

We would encourage business owners to plan early to help reduce future tax bills.

A good tax adviser will analyse tax issues relevant to the company and frequently, also the individual. They will assess the tax implications of a deal and provide guidance on how best to structure the arrangement.

Critically, in addition to this, they will look at the tax structuring goals of the owner, so that they have an efficient tax strategy in place when any transaction is completed.

It's sensible to hire a tax adviser experienced in mergers and acquisitions rather than relying on a regular accountant. For most owners, appointing a specialist tax adviser for both corporate and personal advice is essential.

[13] Cooper Parry Wealth Of Experience Survey Q13

WORKING WITH ADVISERS (CONT)

Personal wealth planner

You might think you won't need a financial adviser until post-sale, when you've received part or full payment and you're considering what to do with the new found wealth. However, it can be extremely useful to 'know your number' - the amount of money needed to live the life you want after the sale.

The 'new breed' of wealth planners is more adept at personal financial planning, understanding personal financial goals and then scenario planning, in effect cash flow forecasting for personal wealth. For many, the value of this approach is that owners will understand 'their number', the amount they need to sell the business for in order to live the life they want, without the fear of running out of money. Knowing this can change the dynamic of a business sale, shorten the process or provide confidence that you will be able to fulfil your personal financial goals.

63% of our respondents sought personal financial advice before the sale[14]. Just one member of our survey group didn't appoint a wealth management firm at any stage of the sales process. Of those who didn't have a financial plan in place presale, 86% got one within six months of selling[15].

Business consultant

Business consultants provide advice on how businesses can adapt in order to improve performance and improve the sale value.

This includes advice about how best to structure a business's different streams of revenue in the run up to the sale, as well as any additional recommendations that would make a firm more attractive to prospective buyers.

Because business owners can be so closely immersed in their company's daily operations, sometimes someone external is best positioned to see weaknesses and inefficiencies.

Business consultants vary tremendously in the value they add. Some offer general advice, while others are far more specific, focussing on smaller parts of a company or individual processes.

Getting good advisers is key!

When selling their business, every single one of our respondents consulted some form of professional adviser - be they a lawyer, business consultant or Corporate Finance adviser.

The BEI (exit planning solutions) survey states that overall, 48% of US business owners had discussed exiting their business with their spouse or other family members. However, only 41% had spoken with an accountant about it and just 40% had consulted an attorney[16]. This suggests that making the decision to sell often starts at home.

Selling a business is a tricky process, especially if you've never done it before, which most owners haven't. Advisers can help with everything from the technical complexity to marketing the business to the right people.

[14] Cooper Parry Wealth Of Experience Survey Q29
[15] Cooper Parry Wealth of Experience Survey
[16] BEI 2016 'Business Owner Survey Report'

During the sales process, which professional advisers did you use?

Lawyer	Corporate finance adviser	Accountant	Business consultant	Other	Financial planner
100%	73%	63%	10%	10%	5%

WHERE DO COOPER PARRY COME IN?

Cooper Parry has experts and lots of them! We used the extensive knowledge of our people on the inside to help build this report. Here you can see a snapshot of the team – their specialisms are wide ranging and together they form the perfect mix for your business sale...

Jonathan Elsigood
Partner & Relationship Manager
Cooper Parry Wealth

Andy Parker
Partner
Cooper Parry Corporate Finance

Krista Fox
Tax Partner
Cooper Parry

Sarah Axe
Tax Adviser
Cooper Parry Wealth

CASE STUDY – DONNA COPE

A HIGH PRESSURE ENVIRONMENT

The sale process was a time where we had to knuckle down and focus, getting everything in order - accounts, finances, you name it! As Finance Director, there was a lot of responsibility with me to ensure we were ship shape. Working until 4am to come in and do it again the next day was draining.

In earlier years we were regularly approached by the big players in our sector, looking to acquire us. For the most part we weren't interested in selling to them. That all changed when we were approached by a private equity firm.

During the sale, everything becomes increasingly important, tight deadlines can lead to a few stressful situations. Relationships change and can be put under pressure. From a personal point of view, however, it was a great opportunity - when times are hard you really grow.

When you're doing the due diligence and going through the sales process, sometimes people can lose touch with reality and get too focussed on the overall outcome.

The due diligence was extremely thorough. There were a number of areas we had to address and issues to resolve. We were really grilled on everything during the process. We even had to seek legal counsel on a particular issue that was raised.

"Planning is key to the whole process. We should have had selling at the back of our mind for years."

What would I do differently? Sort out the issues that I knew would come up in due diligence before the process began. Had we had been aware that we were going to sell in a few year's time we definitely would have made different business decisions. Planning is key to the whole process. We should have had selling at the back of our mind for years before.

That said, if I was going to give sellers one piece of advice I'd say be prepared to work hard and try to do it all with as positive a frame of mind as you can muster. It's a time of excitement as well as hard graft.

TIME FOR A NEW CHAPTER

Our findings indicate that the sale of a business is as much a personal journey as a corporate one. Many owners have spent a long period of their life pouring everything into their business and there are often strong emotional attachments involved.

In our report, 47% of our survey group had owned their business for over 20 years[17]. Saying that selling a business is the end of an era would be an understatement. For most, it signifies the loss of something that has long dominated their life and has been integral to their identity. But fear not, a new stage of your life awaits…

After signing the contract

53% remained actively involved in the running of the business after the completion of the deal. Of these, 56% stayed beyond the agreed period. And you might have thought getting out would be the easy part…

When selling a business, the owner doesn't usually receive all proceeds immediately. In fact, 50% of our respondents said they waited over 2 years to get full payment. This deferred payment will almost always be dependent on performance measures.

We know from experience that very few regret the sale, many will say they wish they'd done it earlier. The fear of an empty life post sale is rarely realised. Financial independence is rewarding and means you can tick some things off the bucket list, if that's what takes your fancy! Everyone's goals are personal and some may go on to start a new business - the entrepreneurial spirit never leaves some people.

And so a new life begins:

Retirement doesn't mean a life of inactivity. Selling a business can give owners the opportunity to live the life of their dreams! A life packed with travel, time spent with friends and family, or pursuing a hobby. After all, people who are used to working 50 hour weeks (and often weekends!) aren't likely to be content with a sedentary life.

Did you:

Have a deferred consideration	53%
Have an earn out linked to future business performance	23%
Retain equity	23%

Although it can be daunting to think of life without your business, it's rarely a concern that materialises post sale. None of our survey respondents indicated any regrets! Enjoy the opportunity to dive head first in to a new chapter…

[17] Cooper Parry Wealth of Experience Survey Q2

FINAL THOUGHTS

We hope this report has shown you how selling a business can be a challenging yet rewarding process. You certainly need to expect the unexpected!

Look beyond your immediate network and the obvious. A potential purchaser may not yet be on your radar. Build a network that will help you identify the opportunities beyond your own. Be prepared to kiss a few frogs.

The earlier you start the process, both personally and professionally, the more chance of a successful exit.

'Know your number' – how much you need to sell for to live the life you want, this will give you confidence when making decisions both personally and professionally.

Select an adviser carefully. The right ones for your business will add value to the process and you will need their support and guidance.

A massive well done! If you've got as far as considering a sale you've achieved far more than most. Enjoy the journey.

"SOMEONE'S SITTING IN THE SHADE TODAY BECAUSE SOMEONE PLANTED A TREE A LONG TIME AGO"

WARREN BUFFET

GET IN TOUCH

If you have any questions, or would like to discuss anything in more detail, please get in touch.

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cooperparrywealth.com

Our teams of talent operate right across the UK – with hubs in London and the Midlands.

Our international community of likeminded firms also covers every key global market.