Thinking of selling?

If you want to maximise your return and ensure the ongoing success of your business then you really do need to start thinking about your succession plan sooner rather than later.

Early planning will increase the range of options that are available to you at the time you decide to exit, which in turn will most likely enable you to maximise your returns.

Choosing the right successor and making sure the transfer happens at the right time is definitely the best way to ensure the ongoing success of the business.

> **"Choosing the right successor and making sure the transfer happens at the right time is definitely the best way to ensure the on-going success of the business."**

Assessing your options

Plan at an early stage the type of exit you want to achieve. For family-owned businesses, unless you intend to pass ownership on to the next generation of your family, it's best to keep your options open. Potential buyers (whatever your ownership structure) may be members of your management team, a competitor, an individual investor or private equity group or even an international buyer looking to establish a platform in the region.

Deciding which option is best will often depend on the type of business you run and the key aims you want to achieve from the sale – for example, do you want to maximise proceeds or is your priority to protect your legacy?

Trade sale or management buyout?

The most common exit for many business owners is a trade sale, particularly if you have no obvious internal succession choice. A trade sale offers a variety of advantages including opening the business to a wide range of potential buyers, control over choice of buyer and opportunity to optimise strategic fit with a business in the same sector. This could drive up value. Managed correctly, a trade sale can be an advantageous way to exit from your business.

A management buyout (MBO) is another common exit strategy which puts the seller in greater control of the process and can be a good option for owners wanting to preserve the corporate culture of the business. A sale to management can allow for a smooth transition since the new owners know the company and its business. Importantly, other employees are less likely to be apprehensive and existing clients and business partners are reassured.

It is important to take advice regarding the potential financial structuring of an MBO – do not assume that the funds cannot be secured to enable management to acquire the business.

Employee ownership

In a nutshell, this a form of company ownership in which the majority if not all of the company is owned by or on behalf of its employees. A transfer of ownership to employees could be a useful option for SME and family businesses with no natural successor and where the owner's desire is to ensure the future of the business for the benefit of its staff, customers and suppliers in the region in which they operate.

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Flotation

One other option open to high-growth businesses (such as fast-expanding tech start-up companies) is a stock market flotation, more commonly known as an initial public offering (IPO). An IPO can enable business owners to gradually realise their investment whilst paving the way for further growth funding through the issue of additional shares to investors and retaining a management role.

Don't underestimate how important it is to take advice on selecting the right option for you and the business. The potential legal and tax implications mean that you need to get it right!

"Don't underestimate how important it is to take advice on selecting the right option for you and the business."

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