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SELLING A BUSINESS

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INTRODUCTION

The sale of a business is usually a significant and in many cases life-changing event. Whether it is an entrepreneur realising his or her life's work or a corporate group divesting a non-core operation, it is not something which is undertaken lightly.

Selling a business is much more complicated and arduous than the uninitiated would think. Although some very small and simple businesses can be sold with a straightforward sale and purchase agreement, the sale of most businesses with turnover of £1 million or above is a highly complex exercise taking at least six months.

The complexity comes from the huge number of 'moving parts' – valuing the business, timing a sale, finding the right buyer, negotiating price and terms, going through due diligence and then actually concluding a sale, which in itself involves extensive legal and other negotiations.

To achieve a good result and come through a sale exercise unscathed takes excellent planning, a lot of work and, most importantly, the right advice. The emphasis of this guideline is to demystify the process and set out some practical considerations for achieving the best possible sale of a business, including in different market conditions. Guidance on the role of advisers, regulatory requirements, taxation and issues around structuring of deals is outside the scope of this guideline.

The guideline also does not specifically address the distinctive points which can arise upon the sale of family-owned businesses, such as limited deal experience, limited management resource, continuity of management. Other reading is suggested at the end of the guideline.

2. MAKING THE DECISION TO SELL AND TIMING

Reviewing the alternatives

The first task for anyone considering a sale of a business is to determine their objectives, both financial and otherwise, and then determine whether those objectives are likely to be achieved by selling the business and whether the business is saleable at the right price and terms or indeed saleable at all.

There are a number of different exit routes available. These include:

- a sale of 100% of the shares in the company;
- a partial sale of some of the equity; or
- a stock market flotation.

In many cases, not all of these options will be available. For example, a company may be too small or may not have a sufficient profit track record for a flotation or alternatively, market conditions may preclude it.

As shown in the chart opposite, the objectives of the owner or parent company will determine which of these exit routes represents the best alternative.

Reviewing the shareholders' objectives

As far as possible, the exit strategy chosen must fit with the needs of all interested parties, including members of the management team who are not shareholders of the business.

It can be very helpful for the shareholders and any other interested parties such as management to enter into a formal memorandum in advance of the sale, covering issues such as the minimum price expectation, preparedness to remain with the business following a sale, willingness to give warranties to the purchaser and the type of consideration which is acceptable.

This can be an extremely useful exercise in flushing out issues prior to the sale but even in the absence of such a memorandum, a consensus needs to be achieved on those matters. Disputes between vendor shareholders once the sale process is underway need to be avoided at all costs.

CASE STUDY – PARTIAL SALE TO PRIVATE EQUITY
MAXIMUSCLE

Founded in 1995 by Zef Eisenberg, a former body builder, Maximuscle produces and markets sports nutrition products for athletes, fitness enthusiasts and gym goers.

Zef, at that time the sole owner of the business and just 29 years old, approached his advisers with three very clear objectives:

- to realise a significant proportion of the value of Maximuscle in cash but to also leave behind a meaningful equity stake, as he believed that the business still had huge growth potential;
- to bring in an investor which could take the business to the next stage; and
- to bring in a professional management team to allow him to focus on his two passions of product development and marketing.

Following further discussions between Zef and his advisers, it was clear that these objectives would be best achieved by a partial sale to a private equity firm. Following a competitive process, Piper Private Equity was selected as preferred bidder on the basis of its expertise in growing branded consumer businesses. In parallel, Paul Hick, formerly Chief Executive of Lee Cooper, was recruited as Chairman and Ivor Harrison, formerly CEO of Premier Foods, brought in as CEO.

Following the investment by Piper at a valuation of around £10m, Paul Hick and the management team successfully moved the business into more mainstream sporting sales away from its bodybuilding roots and also established new routes to market through wholesaling to the retail multiples.

This resulted in top-line growth of more than 20% per year over a three year period. During this time, Zef was able to focus on the parts of the business he enjoyed and let the team deal with the day to day running of the business. In 2008, a subsequent sale to Darwin Private Equity for over £75 million realised a further substantial cash sum for Zef – more than doubling his proceeds from the original sale.

CHOICE OF EXIT ROUTE

CAUTION ↑ … ↓ AMBITION	OBJECTIVES	TYPE OF EXIT
CAUTION	Cash out/retirement	Trade sale/MBO/financial purchaser
	Part cash out/ retention of equity	Partial sale to private equity house Sale to strategic buyer with long earn out
AMBITION	No cash out Capital growth	Flotation or injection of growth capital

Reasons for sale

The most frequent reason given for considering a sale is to realise capital, either for financial security or new projects.

There is, however, rarely one reason alone, but generally a combination of the following:

- the recognition that the business has reached a premium value;
- the realisation that the business cannot grow without a significant capital injection;
- the need to access new markets by being part of a large, possibly international, group;
- the business has reached a size where the owner feels unable or unwilling to manage it;
- a disagreement among shareholders which means that the business is no longer manageable under existing ownership;
- the only alternatives are closure or sale by an administrator, receiver or liquidator;
- an imminent retirement / succession problem; or
- an approach has been received from a credible buyer or buyers of the business.

For a group of companies, possible reasons for the sale of a business include:

- the business may no longer fit within the group's core activities or future strategy;
- the business may have been a poor acquisition; or
- the group may have to sell because of liquidity problems.

External factors

In addition to company specific factors, there are a number of external factors which may have a bearing on the optimal time to sell. These include:

- a bubble in the sector has resulted in high valuations, or there are concerns that a downturn is likely to arrive in the foreseeable future;
- the acquisition strategies of major players in the sector and/or consolidation patterns that may be emerging;
- changes in technology;
- the state of the economy and, in particular, the stage of the economic cycle;
- changes in market conditions;
- recent or impending legislation affecting the business; or
- the strength of the M&A market and the stock market.

It is important that a vendor not be coy about the reasons for sale. It will usually be one of the first questions asked by a potential purchaser and a reluctance to answer the question may make the purchaser suspicious.

Getting the timing right

It is extremely difficult to pick the

CASE STUDY – 100% SALE TO A TRADE BUYER
VITACRESS

Vitacress is one of Europe's leading growers and packers of watercress and successfully pioneered a wide range of 'baby leaf' salads in the UK. The business farms in the UK, Portugal and Spain.

At the time of sale, Vitacress had a turnover of £81 million, EBITDA of £6.4 million and farmed over 1,200 hectares of land, having expanded from a single small field of watercress in 1966.

The main shareholder of Vitacress was in his late 70s and, as there was no family succession, expressed a desire to realise the highest possible cash sum for the business, whilst also finding a purchaser which would be sympathetic to the management team and the values he had built up.

The obvious buyers were competitors of Vitacress, competing to supply to the UK retail market, a number of which had already expressed an interest in acquiring the business. However, it was apparent that these parties would ultimately just be paying for additional turnover and would therefore seek dramatic cuts in the head office and workforce.

Accordingly, purchasers were sought outside the industry and, following a formal auction process, the RAR Group, a Portuguese conglomerate was selected as preferred bidder. RAR ultimately completed the acquisition of Vitacress for £52.5 million.

optimum time to sell a business. However, observing some general principles in timing a sale can be helpful.

Timing is particularly important given the damaging consequences of an aborted sale process. The sale process often distracts management from running the business, which may adversely impact sales and profitability. In addition, if a business is placed on the market and then withdrawn, the business may gain a reputation for being permanently for sale, which can damage relationships with suppliers and customers as well as acting as a deterrent to future bidders.

Trading history

A purchaser will find a three year profit history much more convincing than a three year profit forecast. It is important to have a good profit track record to show potential purchasers.

Year end

Planning a sale exercise to complete shortly after a financial year end can be a good idea as it will allow the sale to be based on an audited set of accounts and will reduce uncertainty as to the profits on which the purchase price is based and the assets being sold. Furthermore, it means that the vendor is able to provide financial warranties to the purchaser based on a recently audited set of accounts. Where due diligence by the purchaser's accountants takes place simultaneously with the year end audit, this can help minimise disruption to the business and maintain confidentiality.

Tax reliefs

The current tax regime is always a relevant consideration in timing a disposal. This can be seen from the surge in company sales precipitated by the withdrawal of capital gains tax (CGT) taper relief in April 2008.

Size

As a company grows in size, not only will it become more valuable by virtue of its growing revenue/profit stream but it will also generally be accorded a higher valuation multiple.

The relationship can be primarily explained by two factors. First, as companies get bigger, more purchasers come into play. There is significantly less interest from private equity houses and particularly overseas trade buyers (which typically target market leaders or at least the no.2 in their sectors) in a company worth £5 million compared to one which is £50 million. Moreover, in general, the bigger the company the better its risk profile and earnings quality. As companies grow in turnover and profitability, they will typically have less dependence on one or two key members of the management team, will have a better spread of customers and be less vulnerable to attack from competitors.

Have regard to market conditions

Proprietors must consider the state of the M&A market in their sector. If there is a valuation bubble in a particular sector, characterised by exceptionally high profit multiples, a proprietor would be well advised to consider a sale at that time even if he had not otherwise planned on selling at that stage. The reason is that the valuation bubble will inevitably burst, such that even if the business's profits grow strongly in the aftermath, the proprietor may not achieve the same valuation for many years.

This was seen in the dotcom bubble in the late 90s and subsequently in sectors such as nursing homes and renewable energy.

During a recession or downturn in M&A, transactions will generally be much more difficult to conclude, particularly where, as at the time of writing, there is a shortage of debt finance. This will also tend to have an inevitable effect on prices for most businesses. Exceptions can include strategically important acquisitions and trophy assets where price is not the main consideration.

In general, a recession will typically see a 'flight to quality', where purchasers will only acquire strong performers and sector leaders. Operations which are effectively underpinned by government spending, such as suppliers to local authorities, may also become relatively more attractive.

A downturn can also present significant opportunities, such as a more favourable property market for retail roll-outs. Businesses which are well placed to capitalise from these opportunities will be most likely to achieve premium prices.

In more adverse market conditions vendors should consider whether it is appropriate to place a business on the market and discuss with their advisers the likely prices that could be achieved given the conditions. It may be preferable to 'sit tight', conserve cash and focus on preparing the business for sale when economic conditions are more favourable, although this could take some time – possibly several years.

M&A demand following a recession is often cyclical, with activity developing in particular sectors at different times, as they come out of a downturn. For example, consumer businesses tend to benefit more immediately from a consumer upswing than business services operations. The first few businesses placed on the market in a given sector will typically achieve a premium price due to their scarcity value and so it is important to be ready to move very quickly once the market is more favourable. Later, 'me too' sales can often be disappointing as the keenest bidders with an interest in a particular sector, whether trade buyers with a strategic need or private equity with an appetite for the sector, may have already made their acquisitions in that sector.

A downturn may also put pressure on businesses to shed non-core and/or loss-making operations, which therefore have to be placed on the market almost regardless of price. Similarly, businesses may have to sell part of their holding to refinance or secure funding to survive the downturn.

Note that the sale of a business through administration, receivership or liquidation procedures are outside the scope of this guideline.

The timing cycle below shows the key factors to consider when deciding on the best timing for a sale. The more these are aligned, the more likely that a successful sale will be achieved with the most essential components of a successful sale on the inside of the diagram. For example, although there is an obvious interrelation between the factors, if the business is performing well but the global economy is weak, it will generally be saleable.

Sell when you don't have to

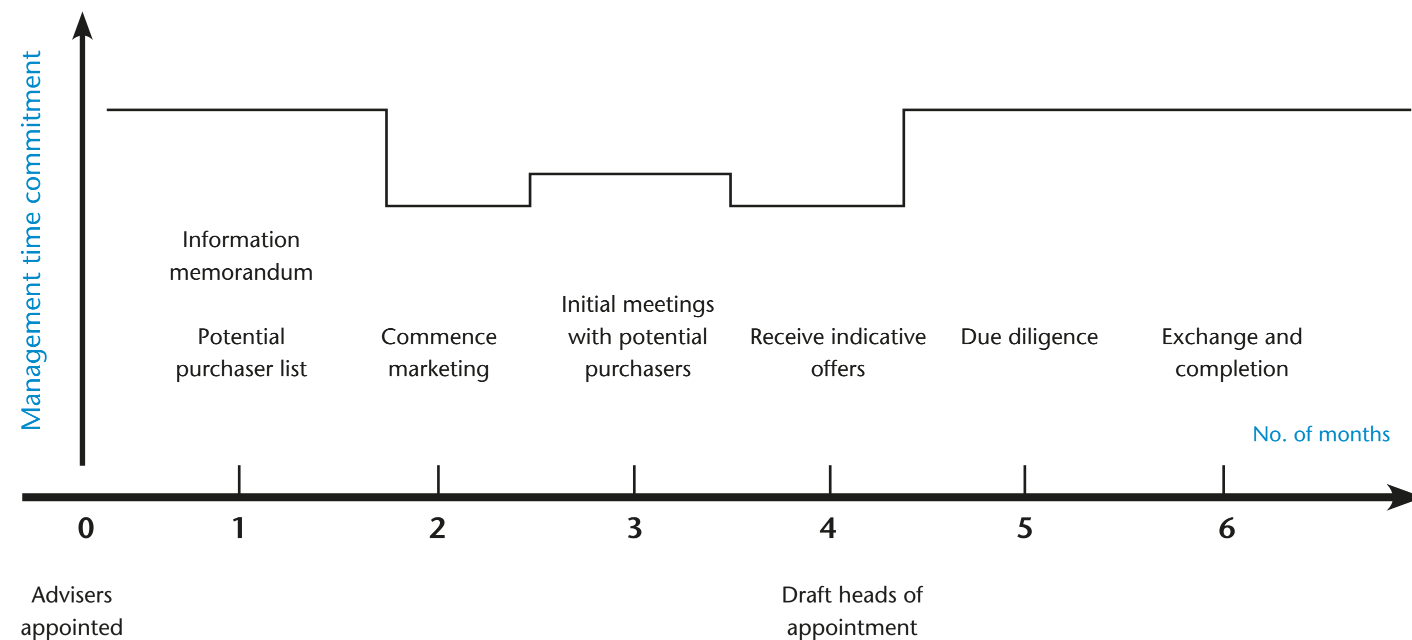
The one overriding rule in timing the sale of a business is to always sell at a time when there is no absolute need to do so. Buyers will quickly sense a forced sale and use that knowledge to their advantage. History is littered with examples of vendors who left it too late, having often been in denial of the need for a sale.

Time scale

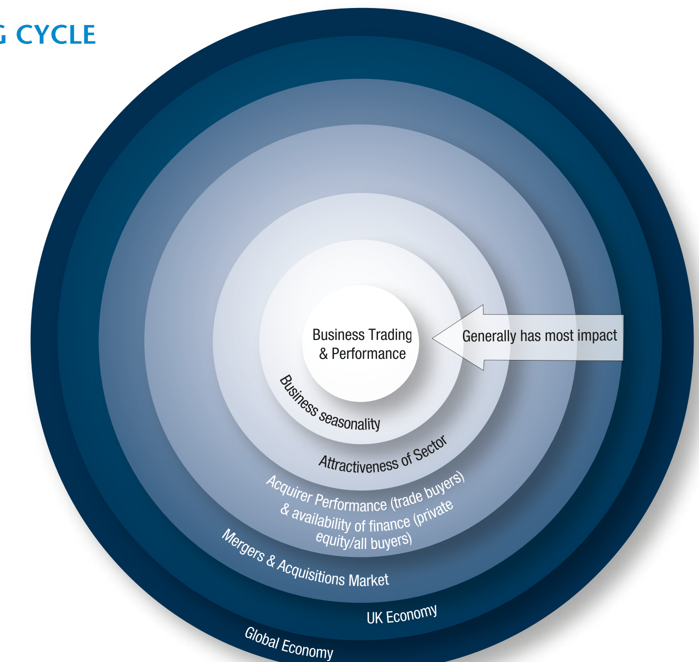
Determining the optimum time to start a sale exercise will be influenced by the timetable for a sale process which can be used as a rough guide (see opposite). The timetable also shows the demands on management time which a typical sale exercise will impose.

In general, a sale exercise can be expected to take around six to seven months. However, this is only a rough guide. It can take considerably longer but will rarely be significantly shorter, save in the case of a distressed sale or a 'rifle shot' exercise involving only one purchaser.

TIMETABLE



THE TIMING CYCLE



3. VALUATION

A valuation ahead of a sale will always be a theoretical exercise and the final valuation for the business is that which a willing purchaser is prepared to pay the vendor.

A vendor will only really get a feel for what the valuation is likely to achieve when conversations are initiated with purchasers and the level of interest in the business determined. Prices of companies in common with other prices are largely determined by the laws of supply and demand.

Nonetheless, a pre-sale valuation of a business can be an advisable component of the sales process.

There are several factors which will affect the value of a business, including:

- the company's historic and projected financial performance;
- the attractiveness of the sector in which the company operates and the strength of its market position;
- the size of the company;
- the strength of its management team; and
- the company's asset base.

During the course of negotiations with potential acquirers, a number of different valuation methodologies will be used to establish the range of prices within which to negotiate the sale. It is important for the adviser and the vendor to understand these methodologies and the issues that may arise.

Common valuation methodologies are outlined below and other reading is suggested at the end of the guideline.

Methods of valuation

Although there are a number of methods for valuing a company, the following two are the most utilised by acquirers:

- multiple of the normalised earnings and turnover using multiples from comparable quoted companies and transactions (typically favoured by trade buyers); and
- discounted cash flows (used by private equity houses).

Multiple of normalised earnings

This valuation methodology applies an appropriate multiple to the normalised earnings to capitalise those earnings into a value for the business. Normalised earnings are a company's reported profits adjusted for abnormal or non-recurring items.

Having established normalised earnings, the appropriate variant of earnings to multiples must be applied. The multiples normally applied are:

- Earnings Before Interest and Tax (EBIT)
- Earnings Before Interest, Tax, Depreciation, Amortisation (EBITDA)

Care should be taken in selecting the appropriate earnings multiples to be applied, taking the following into consideration:

EBIT

Companies have different financial structures and therefore different interest costs and rates of taxation. The EBIT multiple is a pre-tax multiple and is considered by many to be a more appropriate multiple where a company has significant levels of debt.

EBITDA

In using an EBIT multiple, an assumption is being made that the depreciation charge for the year broadly equates to the company's capital expenditure for that year. This could clearly not be the case, thus, the EBITDA multiple extends the EBIT assumptions to include differences due to financing arrangements for fixed assets and growth through acquisitions or organic growth by stripping out the effects of depreciation and amortisation.

PE ratio

The PE ratio is the ratio of the market value of the equity of the company to its after-tax earnings. The PE ratio focuses directly on profits available to equity holders, but its drawback is that it does not reflect differences in gearing, depreciation and amortisation.

It some cases, it is advisable to use the different types of earnings multiples to act as a counter check to each other.

Turnover, gross profit and contribution

In addition to the above more commonly applied earnings multiples, where profits are very low or non-existent, it may be appropriate to use multiples of gross profit, contribution or turnover.

Turnover multiples may also be used preferentially in certain sectors, such as technology and consumer brands, usually where there is huge growth potential relative to the size and profitability of the business for sale.

Comparable companies

The earnings multiples applied are typically based on multiples of quoted companies that, ideally, are comparable in terms of activities, size, geographical location and financial performance. The multiples of the comparator companies are derived from quoted public companies, since only quoted companies have valuations which are readily accessible and which have been established by the market.

Once the comparable quoted public company multiples are identified, an appropriate discount should be applied if valuing a private company. On average UK private companies are sold at a discount to quoted public companies though the level of this discount has reduced in recent years. It may be appropriate to reduce the discount applied due to particular strengths of the business such as growth, profile, market share and size.

Comparable transactions

In conjunction with multiples of quoted public companies, it is also useful to utilise the exit multiples of recent completed transactions in the same sector as the company to give an indication of pricing and trends in its market.

Discounted cash flow (DCF) valuations

The discounted cash flow methodology values a business by discounting the projected future free cash flows to the company, in order to arrive at a net present value (NPV) of those cash flows. The free cash flows are the residual cash amount after deducting all operating expenses, taxes and expenditures for maintenance of the business, but prior to deducting debt and equity financing payments.

The appropriate discount rate (or cost of capital) used to calculate the NPV will reflect the risks associated with the future cash flows. The discount rate is calculated by taking a weighted average cost of capital (WACC). The rationale for using a weighted average is that the assets of a business are financed through a combination of both debt and equity.

Estimating the costs of equity and debt are determined by reference to debt instruments and comparable quoted companies for which data is available. The higher the inherent risk of investment, the higher the required rate of return, and hence the discount rate, that will be applied.

Care should be taken in drawing conclusions from this methodology, as this valuation is heavily reliant on the company's financial projections and even small changes to the discount rate and other assumptions could have a material effect on the valuation. As with all valuations reliant on projections, the result is only as good as the assumptions made.

4. PREPARING A BUSINESS FOR SALE

To maximise the proceeds of a company sale it is essential to prepare the business for sale well before the actual sale process. A grooming exercise, which can take place over a few months or even years before a sale exercise, aims to enhance the attractiveness and value of the business to potential purchasers. This is achieved by measures such as:

- identifying potential purchasers early and positioning the company to attract them;

- raising the public profile of the company;
- maximising recurring profits by reducing or stopping non-recurring expenses including any proprietorial or non-business expenses;
- improving margins through cost-saving measures;
- in the case of a subsidiary or division of a larger group, ensuring that it can operate on stand alone basis and possibly even running it autonomously for a period; and
- removing 'fat' from the balance sheet in the form of excess debtor or stock balances.

The more prepared the business is prior to the commencement of the sale process, the smoother, and usually more successful, the subsequent process will be. However, it is important not to groom a business for sale in an over-zealous fashion or attempt to boost profits in artificial ways which will be exposed during due diligence. This will back-fire on the vendor and may destroy a relationship of trust established between the vendor and the purchaser.

It is also necessary to commence the grooming process long before the sale process gets underway, principally because the impact of the steps taken to enhance profits will take some time to flow through to the company's accounts.

A review of the business to determine appropriate pre sale grooming measures should cover the following areas:

Financial matters

Review of costs

A review should be undertaken to identify and, possibly, eliminate all proprietorial and other costs which would not be incurred by an incoming purchaser. Examples of proprietorial costs would include relatives on the payroll, excessive travel and entertainment costs incurred by the proprietors and remuneration which exceeds accepted market norms. Whilst a purchaser might be persuaded that these costs should be added back to determine the company's underlying profit, the argument is always stronger if the business can be run for a period with these costs removed.

There may also be costs which a buyer would not incur due to cost synergies and these should be clearly identified ahead of a sale.

Assets review

When a business has assets which may not be required or fully valued by a purchaser, such as surplus property or investments, removal before a sale exercise commences should be considered.

In the lead up to a sale, working capital should be reduced to the minimum level required by the business. Policies concerning stock holding levels, debtors and creditors should therefore be reviewed at an early stage to ensure that there is no 'fat' in working capital. If the company is sold with excess stocks or, due to poor credit collection, excess levels of debtors, the vendor is, in effect, gifting the excess working capital to the purchaser. Any such surplus should be eliminated and the resultant cash either stripped out or added to the purchase price.

Any hidden or undervalued assets of the business should also be identified. If the value of property assets is understated in the company's balance sheet relative to their market value they should be re-valued independently prior to a sale.

Tax review

All PAYE, VAT and corporate tax matters should be brought up to date and approved by the business's tax advisers. Any tax losses available to be carried forward or company tax benefits from an Enterprise Management Incentives (EMI) scheme should be identified so that value can be obtained for them from a purchaser.

Pension schemes

Final salary schemes can be very problematic in the context of a sale exercise due to the associated valuation issues. Consequently the vendor should discuss the impact of such schemes on a sale and the potential remedial actions with the advisers at the earliest opportunity.

Operational matters

Management review

The quality of the company's management team will generally be of paramount importance to a purchaser, especially where the senior management are proposing to leave the business at the time of, or shortly after, a sale. It is important to be able to demonstrate to the purchaser that there are competent second tier management available to assume executive control of the business following a sale. This will involve devolution of management control by the owners in the lead up to a sale. Where second line management are taking executive decisions, this should be documented. For evidential purposes, it may help to recognise their input formally by:

- minuting management meetings; and
- issuing formal job descriptions and promoting senior management to the Board.

Accounting policies review

With a sale exercise in mind, a review should be undertaken of the following accounting policies, with a view to maximising stated earnings and balance sheet values while, at the same time, avoiding overly-aggressive policies that will lead to downward adjustments after due diligence:

- recognition of profit, particularly for contract related businesses;
- depreciation policies, both for tangible and intangible assets;
- provisions – excessive provisions against stock or debtors may be motivated by tax planning or an over-prudent approach and should be reviewed well ahead of a sale process, as a purchaser is likely to be sceptical of provisions released just before or during a sale exercise;
- valuations of properties and investments; and
- research and development – this may play a large part in the purchaser's interest in the business. Small companies are frequently bought for their innovative skills and product development capabilities. Where all research and development has been written off in the past through the profit and loss account, this should be identified and highlighted.

Management information and budgets

It is essential for the vendor to start preparing high-quality monthly management accounts and put in place management information systems which track KPIs if they do not already do so. During a sale process, it is vital to have up to date information on the current trading performance of the company and the purchaser will be looking for the vendor to warrant a recent set of management accounts.

It is equally important for the company to produce high-quality budgets. At a minimum, a purchaser will be looking for profit projections for both the current and the following financial year. In the case of financial buyers, a three year financial plan with detailed supporting assumptions will be required. If the company has not had a history of producing detailed budgets (and preferably beating them) any projections produced specifically for the sale exercise may lack credibility.

Legal review

It may be sensible to consider a legal review, to be carried out in conjunction with the company's legal advisers. This would, at a minimum, ensure that:

- trading contracts are examined to ensure that no change of control restrictions or provisions apply. Such provisions (which e.g. allow the other party to terminate on a sale) are potentially 'poison pills' for a purchaser and to the extent possible should be resisted;
- intellectual property (IP) rights are registered. Where overseas expansion forms a key part of the company's growth story, it significantly adds to credibility if the proprietor of the business has registered IP rights in the territories he has targeted for expansion;
- shareholder agreements and articles are examined to review provisions relating to a sale;
- where possible, any outstanding litigation is cleared up. Even if it may be covered by insurance, major litigation can be a deterrent to a purchaser;
- to the extent possible, the ownership structure of the company is simplified. This may involve buying in minority or joint venture interests. Purchasers value simplicity and complex ownership structures can diminish the attractiveness of a business; and
- all leases, title deeds and other key contracts are located and reviewed.

Positioning

Well before a sale exercise is undertaken, the owner of a business should identify the purchasers or categories of purchasers most likely to be interested in acquiring it and position itself as an attractive acquisition target for those purchasers.

Corporate strategy

Before making any strategic decision, a business proprietor needs to assess whether the decision would enhance or detract from value from a purchaser's perspective. This ranges from the fairly obvious such as not renewing a 20 year lease on the company's premises just prior to sale (as this might represent a poison pill for a purchaser who want to consolidate the company's operations with its own) to more subtle positioning type issues such as whether

diversifying the business into related activities will make the company more or less saleable.

Environmental audit

Potential environmental liabilities will be a major area of concern for any purchaser. Depending on the nature of the business, it may be appropriate for the vendor to conduct an environmental audit prior to the sale to enable him to identify and remedy any potential problems at an early stage as environmental issues coming to light at a late stage in the process have the capacity to derail a sale exercise.

Data room

Gathering information for a data room at an early stage can significantly speed up the subsequent process and is almost essential to a formal auction process.

The contents and organisation of the data room are considered in the section on the sale process.

Vendor due diligence

Vendor due diligence involves the vendor instructing accountants to prepare a due diligence report on the business in advance of a sale exercise being undertaken. The report is then given to potential purchasers who have expressed serious interest in the company for use in finalising their offers for the business.

The main advantage of vendor due diligence is to flush out financial, tax and other issues relating to the business at the outset of the sale process. As a result, the chances of the deal collapsing or the purchase price being reduced once heads of agreement have been reached or a preferred bidder chosen, are significantly reduced. It is unlikely that any material financial issues will arise from the purchaser's due diligence which had not already been identified in the vendor due diligence report.

In addition, vendor due diligence can form a useful part of the grooming process to the extent it identifies issues which can be addressed before the sale exercise is initiated.

In choosing a vendor due diligence provider, the vendor should consider the appropriate skills of the accounting firms able to provide the service and give consideration to whether using its own auditors / accountants / M&A advisers or an independent firm, is appropriate. A purchaser is less likely to accept a report it does not consider to be independent. The worst case scenario is for a vendor to incur this time and expense only for the bidder to ultimately commission its own report.

5. APPOINTING ADVISERS

Selecting a financial adviser

Why appoint an adviser?

There are a number of reasons why it is generally preferable for a proprietor to engage the services of a professional adviser to sell his business rather than adopt a DIY approach. These include their superior knowledge of potential purchasers and their negotiation skills as well as their ability to approach buyers on a confidential basis in the first instance. By way of example, although the vendor is likely to have a good idea of the likely UK trade buyers of his business, his adviser is likely to have broader knowledge of potential overseas purchasers and purchasers outside the vendor's sector.

It is also useful to have an intermediary negotiating the sale of a company as this enables a tougher negotiating stance to be taken by the adviser and so permits the vendor to maintain a good working relationship with the purchaser. A good financial adviser should be able to add value to the transaction many times the amount of his or her fees.

TOP TIPS FOR APPOINTING ADVISERS

- Ask for unrestricted references.
- Arrange to meet with the entire team, including the operational staff as well as the frontline partners or directors.
- It is good practice to ask all potential advisers to sign a confidentiality undertaking to ensure that the discussions you are having at the selection stage (ie pre-engagement letter) remain confidential, as does the information you are passing them.
- Take care to check that the valuation given does not appear unrealistic and/or is not properly justified.
- Beware if the organisation appears unduly busy or conversely has no work on.
- You should not be pressurised to put your business on the market immediately, without any real justification. Advisers make their money from selling businesses but they should also be prepared to take a long view and give impartial advice.

Role of the financial adviser

The role of the financial adviser acting for the vendor of a business could include the following:

- advise on appropriate measures to groom the business for sale;
- advise on timing and give an indicative valuation;
- prepare the information memorandum;
- identify and approach appropriate purchasers;
- lead the negotiations with potential purchasers;
- advise on the offers received and the appropriate structure of a sale;
- manage the due diligence and legal phase of the transaction; and
- ensure that the transaction is completed on a timely basis.

Types of financial advisers

Some advisers merely act as introductory brokers while others provide a full advisory service to the client. The main categories of M&A advisers are as follows:

- **Investment banks** – investment banks tend to focus on larger transactions. Potential vendors should ensure that their business falls within the typical size range for an investment bank, as the skills and expertise for selling a smaller business can be quite different to those needed on larger transactions.
- **Accountancy firms** – in volume terms, the major accountancy firms are among the largest players in the UK M&A advisory market. The accountancy firms may offer an attractive 'all-in' package of taxation, vendor due diligence and accounting services. Vendors should consider each part of the package on its merits and also in light of the need for independent advice.
- **Boutiques** – there are a number of M&A boutiques which are either generalist M&A advisers or focus on particular industry sectors such as financial services. Care needs to be taken before appointing an adviser within this category to ensure they have adequate resources to provide a comprehensive service.

Before appointing an adviser, the vendor needs to be satisfied that the adviser does not have any conflicts of interest. Such conflicts can arise if one or more of the likely potential purchasers is an audit client or alternatively has been retained by the firm on either an acquisition brief or to provide corporate finance advice.

An excessively close relationship between a boutique and a purchaser could also prejudice impartiality.

A vendor should check if the firm is allowed to access geographical markets outside the UK (particularly the USA), that it has sufficient professional indemnity insurance cover, is FSA authorised and has a good international network to source overseas buyers.

Choosing a financial adviser

The personal chemistry that must exist between adviser and vendor should not be underestimated. Frequently, a sale exercise will involve stressful negotiations with the need to make important decisions quickly. It is important that a cohesive team is presented to a potential purchaser.

In choosing an appropriate financial adviser, a vendor should also have regard to the following:

- make sure that your deal will be an important one for the adviser. In that regard, you are much better off being at the top end rather than the bottom of the adviser's typical deal size spectrum;
- conduct a 'beauty parade' of two or three potential advisers, preferably from different types of organisations;
- ensure an adviser has relevant experience in the type of transaction envisaged;
- always insist on references. When obtaining a reference always check who within the adviser's firm performed the work;
- make sure the appointed adviser has a good overseas network to secure overseas buyers;
- beware of false economy. Don't allow fees to be the main determinant of the choice of adviser. There is often a reason why one adviser can consistently charge higher fees than its competitors;
- ensure that an adviser will not face any conflicts of interest if appointed;
- always insist on fee quotes and ascertain who will be working on the transaction on a day to day basis;
- ensure the adviser is properly authorised under the Financial Services & Markets Act 2000 Act or the Designated Professional Bodies (DPB) route, and has adequate professional indemnity insurance; and
- consider the potential benefits and disadvantages of sector experts – some knowledge of a sector can be useful, however the ability to sell a business in general can be more important than reams of sector knowledge. An adviser who does not know the sector intimately may even be better placed to find purchasers outside the sector, who may pay a significant premium to get in.

Bring a financial adviser on board well before the sale process actually gets underway. The preparation of the business for sale is equally as important as the sale process itself.

Basis of fees

Most advisers charge an initial retainer and then a success fee based on the amount of the consideration received.

Typically success fees for mergers and acquisitions advice will be in the range of 1-3%, depending on the size of the deal. Most fee structures contain a fixed minimum sum plus a ratchet, whereby the percentage fee increases if the purchase price exceeds pre agreed levels. This ensures that the adviser is incentivised to achieve the highest price for the business.

Care should be taken in fee negotiations with advisers to ensure that:

- the concept of 'consideration' is fully understood by both parties. Does it include non-cash items, pre-sale dividends and assumption of debts?
- any abort fees should be clearly understood and agreed. These can be justified where a difficult sale is envisaged or where the sale could be terminated by the vendor through no fault of the adviser, but as a general rule you do not want to be 'paying for failure';
- the adviser is not going to seek a fee from the purchaser, unless this is specifically agreed upfront. It may not be in the interests of the vendor for his or her adviser to seek fees from purchasers as it will compromise the adviser's negotiating position, particularly as some purchasers will never pay fees and thus may not be contacted by the adviser; and
- the adviser is not incentivised to push a transaction towards or away from certain purchasers. This

typically happens where a business has had an approach before the adviser is appointed and so the fee arrangements are skewed towards new buyers. Consequently the adviser may spend huge amounts of time on new buyers and neglect the existing bidder.

Appointing legal advisers

Legal advisers are not a commodity. A good lawyer with commercial flair can add significant value to the transaction, not only in terms of the quality of his or her legal advice, but also in ensuring that the deal completes in a timely manner with as little acrimony between the parties as possible. The following guidelines can help when choosing a lawyer to advise on the sale of a business:

- ensure that the lawyer is an M&A specialist with appropriate experience of similar transactions;
- make sure that the chosen law firm has sufficient resources to properly service an M&A transaction. The chosen law firm should have expertise in all relevant practice areas which could include tax, property, intellectual property, pensions and employment law as well as corporate finance. In the later stages of the transaction, the lawyers will need to provide a round the clock service;
- do not underestimate the importance of having a good personal relationship with your lawyer;
- conduct a beauty parade involving two or three suitably qualified law firms;
- insist that a suitably experienced person is present at all key negotiating meetings;
- if the transaction has an international aspect, ensure that the lawyers have a good network of overseas offices;
- ensure that the law firm has adequate professional indemnity insurance; and
- get fee quotes up front. Fees fall broadly into three types:
  1. Time costs with a 'hard' cap
  2. Time costs with a 'notification threshold' cap
  3. Contingent fees with an 'abort costs' element

There are advantages and disadvantages to each type of arrangement. Your financial adviser should be able to talk you through the most suitable scheme for your business and situation.

Appointing tax advisers

It is not so much the purchase price achieved on a sale of the business which is important so much as the amount the vendor gets to keep after paying any capital gains tax on the proceeds of sale. In that regard, the appointment of an appropriate tax adviser is vitally important.

Once again, the key is to appoint a specialist adviser who has considerable experience in advising vendors. The alternatives include the law firm retained to advise on the sale, a firm of accountants or a firm of specialist tax advisers. It is always useful to get second opinions and if a tax scheme is proposed which is particularly aggressive, obtaining an opinion on the scheme from leading tax counsel may be a worthwhile investment.

6. DEVELOPING A MEDIA STRATEGY

Utilising the media is a key element in any sale process. A media strategy needs to be put in place covering each of the following:

- grooming period
- pre kick off
- leaks
- post sale

Grooming period

Potential purchasers are generally more amenable to a company they have heard of than one whose name they don't recognise. Also one of the first things any purchaser will do is to conduct a press search on the company. It is often advisable therefore to raise the company's profile prior to a sale by conducting a PR campaign directed not at the company's customer base but at potential buyers of the business. Examples of profile PR of this nature include editorial coverage on the company in trade or financial publications. There are specialist PR firms who focus on pre sale PR of this nature.

Pre kick off

Before a sale process is initiated, a decision needs to be made as to whether the process will be conducted as a public auction (that is, announced to the world at large) or an attempt will be made to keep the process confidential.

In making this decision, the vendor must have regard to two key factors:

Would publicity have a damaging effect on the business? and

What need and scope is there for the business attracting 'left field' buyers as a result of some carefully targeted publicity via the media?

In terms of attracting 'left field' buyers, publicity can be particularly useful where the business in question is a 'trophy asset', that is a business such as a football club, luxury yacht or car manufacturer or other luxury brand name which confers status on the owner and therefore may be attractive to high net worth individuals who may be difficult to identify from desk research.

If a decision is made to place a story on a potential sale to the media, a decision needs to be made regarding the most suitable publication. The story should contain a number of key elements including an aspirational (but not excessive) price expectation, a commentary on the performance and prospects of the company and where appropriate, the fact that it has elicited interest from several potential acquirers.

Press strategy in the event of leaks – confidential process

Consideration should be given to a press strategy to contain the story in the event of a leak, ideally by suppressing it entirely but as a minimum to ensure that it is at least accurately reported – for example if the sale is at a very early stage to make sure that the story reflects that it is only one option under consideration.

Press strategy for a public auction

In a public auction of a company, a buyer may leak damaging stories to the press to try to deter other bidders. The vendor should therefore be prepared to rebut such stories and, if appropriate, to make their own suitable press announcements.

Post sale PR

It is essential for the vendor to ensure that the correct message is conveyed regarding the sale of the company both internally within the company and externally via the media. This is of particular importance where there is an earn-out involved where the vendor has a significant vested interest in the future performance of the company. In particular, customers' minds should be put at rest by stressing the advantages to them of the company joining forces with a larger group, or in the case of a deal involving a financial investor, the benefit of additional investment into the company coupled with management team continuity.

The subject of informing employees is covered in a later section.

7. PREPARING INFORMATION ON THE BUSINESS

At some point, interested parties will require information on the business. This can take the form of a detailed information memorandum, a shorter 'teaser' document or even a face to face presentation. The comments below are specifically in relation to a full sales memorandum but can also be applied to the various alternatives.

It is often helpful to have both a memorandum and a more detailed pack of information prepared, so that buyers can be progressively introduced to more detail on the business once they have confirmed an initial level of interest.

The information memorandum

The main purpose of an information memorandum is to enable potential purchasers to decide whether or not the company is a suitable

acquisition target. Although the information memorandum needs to be accurate, it is essentially a selling tool. Presentation is therefore as important as the substance and the memorandum needs to reflect the style of the organisation being sold.

An information memorandum is not generally a prospectus and is thus not normally verified by lawyers. It is generally exempt from the requirements for approval as a financial promotion, however its contents will be governed by the Financial Services and Markets Act 2000 which prohibits misleading or deceptive statements in such a document.

No potential purchaser will make a final decision on the basis of an information memorandum. The main purpose of the document is to bring a purchaser to the negotiating table. There is no point therefore in making the document too voluminous. The initial reviewer may only have a short period in which to review the document before deciding to reject it, or pass it to a colleague for a more detailed analysis. Therefore, the executive summary and key selling point sections of the document must be positive and punchy.

Contents of the memorandum

It is not always necessary to send the same information to all purchasers. For example, commercially sensitive information, such as the names of customers or suppliers, can be excluded from copies sent to certain recipients such as direct competitors.

As certain purchasers might value certain attributes of the business while others might be attracted to other features of the business, the information memorandum can also be varied to highlight features of particular interest to specific purchasers. Examples of particular attractions to a purchaser might include:

- access to the UK market;
- potential for overseas growth with a foreign owner;
- unique product attributes;
- intellectual property rights;
- ability to cross sell products to the company's customer base or vice versa;
- potential overhead savings;
- strength of management;
- brand names; and
- distribution channels.

The financial section should show the sustainable recurring profit, adjusted for costs or income which would not occur under new ownership. Such items may include:

- expenses of a proprietary nature e.g. private staff on the company's payroll;
- directors remuneration in excess of market rates;
- management charges to be terminated on a sale;
- gains or losses on disposal of fixed assets; and
- other extraordinary or exceptional items.

In preparing the information memorandum, regard should be had to the following points:

- hype, glossiness, superlatives and pretentiousness should be avoided. In particular, documents written in the 'last chance', 'must buy now' style are unlikely to be taken seriously in the context of a business sale;
- restrict the number of people involved in drafting the information memorandum. The involvement of a large number of people will inevitably lead to a mismatch of styles. It can also extend the timetable unnecessarily;
- ensure that underlying financial projections will stand up to detailed scrutiny; and
- ensure the memorandum has the appropriate 'health warnings' and disclaimers, and that, if appropriate, it is issued by a regulated adviser with the appropriate control over distribution.

The standard contents of an information memorandum are:

- legal conditions on which the document is issued;
- executive summary;
- key selling points of the business;
- sale process;
- history of the company;
- business description;
- details of management and employees;
- financial record and projections; and
- growth prospects.

8. IDENTIFYING POTENTIAL PURCHASERS

Identifying the optimal purchaser

To determine who might represent an appropriate purchaser for the business one must first consider the objectives of the vendor.

The vendor's objectives will influence not only who is targeted as a potential purchaser, but also how the business is presented to purchasers and the way in which the negotiations are handled. For example, there is no point in marketing the business to a purchaser which could only offer shares as purchase consideration if cash is the only acceptable form of consideration.

The vendor's objectives will also help to determine the most suitable route for sale, be it a sale to a private individual, a trade sale to a private or public company, a management buy-out (MBO), an institutional buy-out (IBO), a management buy-in (MBI), or buy-in management buy-out, often referred to as a 'BIMBO'.

An optimal potential purchaser is one which will, ideally:

- pay a premium price for the business;
- add value to the business;
- be acceptable to management;
- not require shareholder or other approvals;
- not involve a Competition Commission referral or other regulatory issues;
- not have to raise equity funds to finance the acquisition; and
- have a good understanding of the business and not require extensive commercial due diligence.

In selecting potential trade or financial buyers, regard must be had to any published acquisition criteria, their acquisition track record (if any) and their ability to finance a deal of the size in question.

Types of potential purchasers

There are several broad categories into which most potential purchasers fall. These include direct competitors, overseas buyers, financial purchasers, companies in related industries and wealthy individuals. For certain companies, it will be appropriate to target all of these categories of potential purchasers. For others, it may be appropriate to target only one or two.

Each type of potential purchaser has its own characteristics and the way in which a particular purchaser is approached will vary accordingly.

Set out below are the main categories of potential purchasers together with a brief description of each.

Direct competitors

For reasons of confidentiality, a vendor may not wish to approach direct competitors at all. Even where information is supplied to competitors on a confidential basis, there is always a danger that competitors will attempt to use the fact of the impending sale of the company to their advantage by disclosing that fact to the company's customers, suppliers or employees. Accordingly, even if a vendor is prepared to approach direct competitors, he may only wish to do so when he has an offer on the table from another buyer and a sale seems virtually certain to proceed. This approach is usually feasible as a direct competitor will be able to determine very quickly whether it wishes to acquire the company and, if so, the price it would be prepared to pay.

A direct competitor may not always be prepared to pay the highest price for the business even where it appears to be the most logical purchaser. The preparedness of a competitor to pay a premium price for the business may be limited by the extent to which it believes it could obtain the same result as an acquisition by winning business away from the company through aggressive organic expansion or by poaching the vendor's key employees. On the other hand, there may be situations where the synergistic benefits available to competitors are such that they will almost inevitably outbid any other category of purchaser.

Companies in related sectors

Most companies focus on their core business with the result that diversification strategies such as those practised by Hanson and Williams Industries in the 80s and 90s are a thing of the past. However, companies still make acquisitions in industries related but tangential to their core business. Moreover, such acquirers will often be prepared to pay a premium price for the business as an acquisition may be the only feasible means of entering the relevant market.

Accordingly lateral thinking in terms of identifying related sectors and potentially acquisitive companies within them is important when determining a list of likely buyers.

Suppliers and customers

Vertical integration (the purchase of a business by a supplier or customer) is now relatively rare in the UK as it is generally accepted that businesses achieve more success by focusing on one part of the supply chain.

There are some cases where vertical integration can make sense, for example, if the company being sold accounts for a large proportion of a supplier's sales, the supplier may be interested in acquiring the business as a defensive strategy to prevent it losing its customer to a competitor. Similarly customers may be interested in securing jointly-developed technology. It is therefore worthwhile reviewing major suppliers and customers as potential purchasers.

As a general rule, however, vertical integration is unlikely to maximise value for vendors.

Management buy-outs and buy-ins

The potential for a management buy-out of a business backed by a private equity house should always be considered. For an MBO to be feasible, the management remaining with the business following the sale must be sufficiently strong to assume the executive control of the business. In a situation where the management of the business has been largely confined to the vendors, this may not be the case.

In such a situation, it may be that a management buy-in would be appropriate. In this situation the private equity house (or vendor's adviser) introduces an MBI team to take over the running of the company following the sale. The MBI team will take an equity stake in the business alongside the private equity house which is financing the bid.

Where the existing management team has some, but not all, of the skills required to manage the business following a sale, a BIMBO (buy-in/management buy-out) may be appropriate. In this situation, the management team, post sale, will comprise some of the previous management together with one or more additions (such as a new chief executive or finance director) introduced by the relevant private equity house.

CASE STUDY – PURCHASERS IN RELATED SECTORS (1) PRINCESS YACHTS

Princess Yachts is one of the world's premium yachting brands, and at the time of sale had benefited from the increasing demand for larger and more luxurious yachts, successfully expanding this part of the business.

The vendor requested that his advisers find a purchaser which could add to the business and help it grow but would not burden the business with debt, given the cyclical nature of the boat building industry.

The obvious candidates were other yacht builders but as Princess was undergoing a transformation from a marine-engineering led business to a luxury brand in its own right, the advisers believed that purchasers should be sought from the luxury goods sector.

Accordingly, the sale exercise focused the purchaser search on high net worth individuals with a background in luxury goods, which culminated in a sale for £200 million to a consortium led by Bernard Arnault, the head of LVMH.

CASE STUDY – PURCHASERS IN RELATED SECTORS (2) AROMA CAFÉ CHAIN

The Aroma café chain was owned by a consortium of individuals and private equity, led by Apax Partners. Having funded the business from its start-up with a single site and seen turnover grow to over £5 million, the investors wished to realise the proceeds of their investment.

It was clear that other café and sandwich chains had no reason to pay for the Aroma brand name and would only be attributing value to the additional sites. At the same time, research showed that the fast food groups were suffering from both healthy eating concerns and saturation of their core brands. In addition Aroma's market research showed that its main customers were women aged between 25 and 35, a section of the population to which the fast food groups had struggled to appeal.

The marketing exercise was therefore focused on the fast food industry. Following an auction process, McDonald's Restaurants was selected as preferred bidder, ultimately concluding the acquisition at a value of some £12 million.

Managing an MBO

At an early stage, the vendors need to determine:

(i) The level of interest the management team has in pursuing an MBO

(ii) Whether management would be backable by a private equity house

(iii) Whether management's involvement in an MBO bid will be a significant deterrent to trade buyers

(iv) Even if the first three conditions are met, whether an MBO bid could match the price which trade buyers are likely to offer. If may be that the synergies with potential trade buyers are so great that a private equity bid will not be comparable.

If all of the pre-conditions to a successful MBO have been satisfied, a decision then needs to be made as to how best to progress the MBO. The key issue with a buy-out is that the management team are effectively incentivised to acquire the business at the lowest possible price, thereby maximising both their equity package and future returns.

From the perspective of maximising value, there are two approaches which are commonly used:

The first is to run an 'arms length' MBO process, so that the management team are made aware that they will only have an opportunity to do a buy-out with the institution which makes the best offer for the business. This is sometimes referred to as an "Institutional Buy Out with Management Participation". Control over all aspects of contacting private equity sponsors and obtaining offers from them should be kept by the vendors and their advisers, so that management are only brought into the process at relevant points and not allowed unfettered access to the successful institution(s) until a late stage. This is an established method of managing MBOs and should be acceptable to most private equity backers.

The second approach is to run the MBO bid process concurrently with seeking offers from potential trade purchasers of the business. The rationale for this approach is to enable the vendor to conduct an auction among both trade bidders and private equity houses to extract the highest price and to reduce the risk of the management team trying to push the price downwards.

One of the potential problems with running MBO and trade bids in tandem is that trade buyers may be reluctant to compete with incumbent management in buying the business. There is also the danger that management may be less than fully co-operative in presenting the business to trade buyers in an attempt to maximise the chances of their MBO bid succeeding. One way of overcoming this potential problem is to offer management a substantial bonus on completion of the transaction if the sale proceeds with a trade buyer and/or for the abort costs of the MBO bid to be underwritten.

Under either scenario, an upfront written agreement with the management team covering their conduct and the running of the business during the sale exercise will be very helpful, so that it is clearly understood what both the management team and vendors are expecting of each other.

Overseas purchasers

Overseas acquirers account for a substantial proportion of acquisitions of UK companies, particularly larger deals. In the case of smaller companies, the due diligence and post-acquisition management costs can be prohibitive where the overseas purchaser does not have an existing presence in the UK. In any event, overseas purchasers typically target UK market leaders or at least number 2 in the space they have targeted for acquisition.

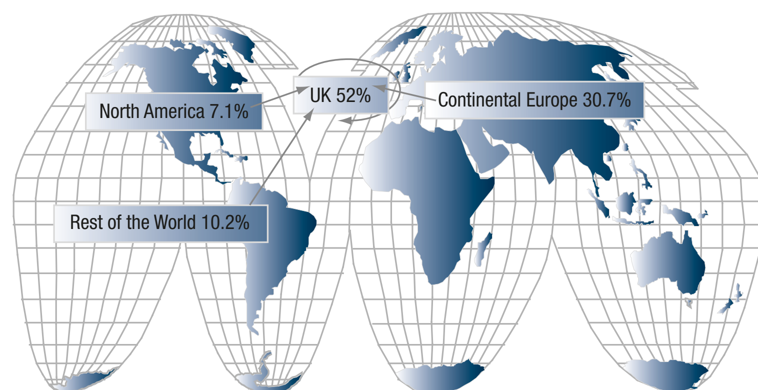
CASE STUDY – SALE TO WEALTHY INDIVIDUALS BLACK & LIZARS

Black & Lizars, Scotland's leading independent chain of opticians, was formed by the merger of Lizars and C. Jeffrey Black in 1999 and has a combined trading history of over 200 years. As well as maximising the price, the shareholders were keen to find a buyer which would not rebrand the business (due to their family links with the brand) and would also not require them to reinvest substantially in the business.

At the shareholders' request, a wide marketing exercise was undertaken, covering high net worth individuals, private equity, and trade purchasers. Interest was received from all these categories of purchaser but a consortium of wealthy individuals was selected as the preferred bidder on the basis that unlike private equity they would not require any re-investment by the shareholders and would not rebrand the chain like most of the trade buyers.

The nature of the consortium did, however, draw the process out well beyond the original timetable, in part due to the difficulty in getting a collection of individuals to all agree at the same time. Ultimately, it was necessary for the consortium to appoint two of their number as representatives to negotiate on behalf of the group. Nonetheless, the transaction was successfully concluded with the consortium achieving a sale which met the specific objectives of the shareholders without the drawback of either trade buyers or private equity.

NATIONALITY OF ACQUIRERS OF UK BUSINESSES (BY VALUE) 2007



Source: AMDATA 2007

TOP TIPS FOR IDENTIFYING AND APPROACHING PURCHASERS

- It is important to think laterally – it is often the less obvious buyer who will be prepared to pay a premium price for the business.
- Start off with a full list including potential purchasers from different sectors and countries. Then reduce this list to a manageable number by dividing them into an 'A' list and a 'B' list containing names to be held in reserve.
- A targeted and confidential approach to between 10 and 30 of the most likely buyers within a short period of time should, in most cases, generate an optimal outcome as opposed to a broader approach which may end up deterring buyers, who may feel that they have a relatively low chance of securing the acquisition.
- The process needs control – do not allow other advisers to make further approaches without approval.

Wealthy individuals

Wealthy individuals or consortia of individuals should never be discounted as a source of potential buyers, even for larger deals. This is especially the case with prestigious trophy asset businesses. Any approaches by advisers or vendors to potential consortium members should ensure compliance with the financial promotions order in the UK or the relevant regimes in other territories.

Sovereign wealth funds

Sovereign wealth funds in substantial trade surplus countries such as China, Singapore and the Middle East now eclipse private equity funds in terms of financial firepower.

Sovereign wealth funds were responsible for some of the largest deals in 2008 including the controversial refinancing of Barclays Bank and should not be ignored where large or prestige businesses are for sale.

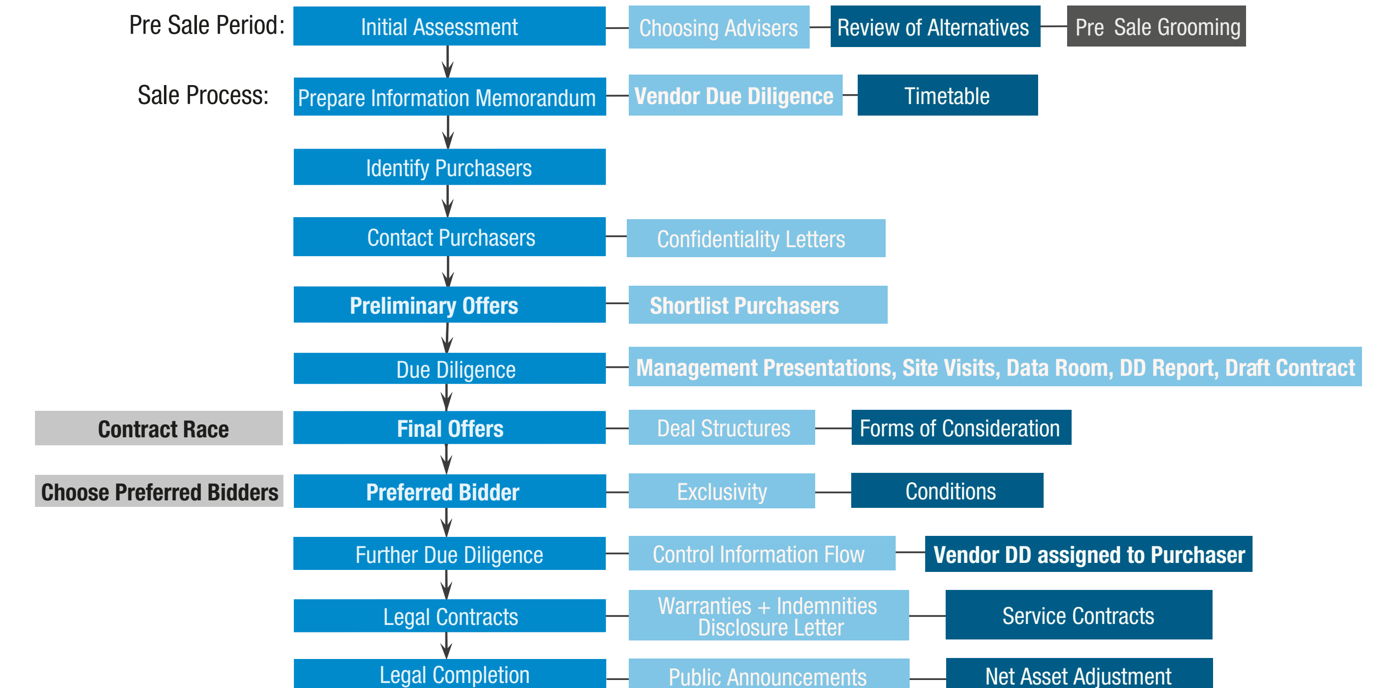
Shell companies

A shell company is a quoted company which typically has cash reserves but limited existing business operations, often as a result of closing down or selling its original core business. The board of directors may therefore decide to seek suitable acquisitions. A shell company can be used either as an alternative route to obtain a stock market quotation or as a means of achieving an outcome similar to a trade sale with the vendor shareholders being paid in cash or more typically with a combination of cash and shares in the listed shell. Whether the shell company will be able to outbid trade or financial buyers will largely depend on the individuals behind the shell. The stronger their reputation the greater the capability of the shell company to pay an attractive price.

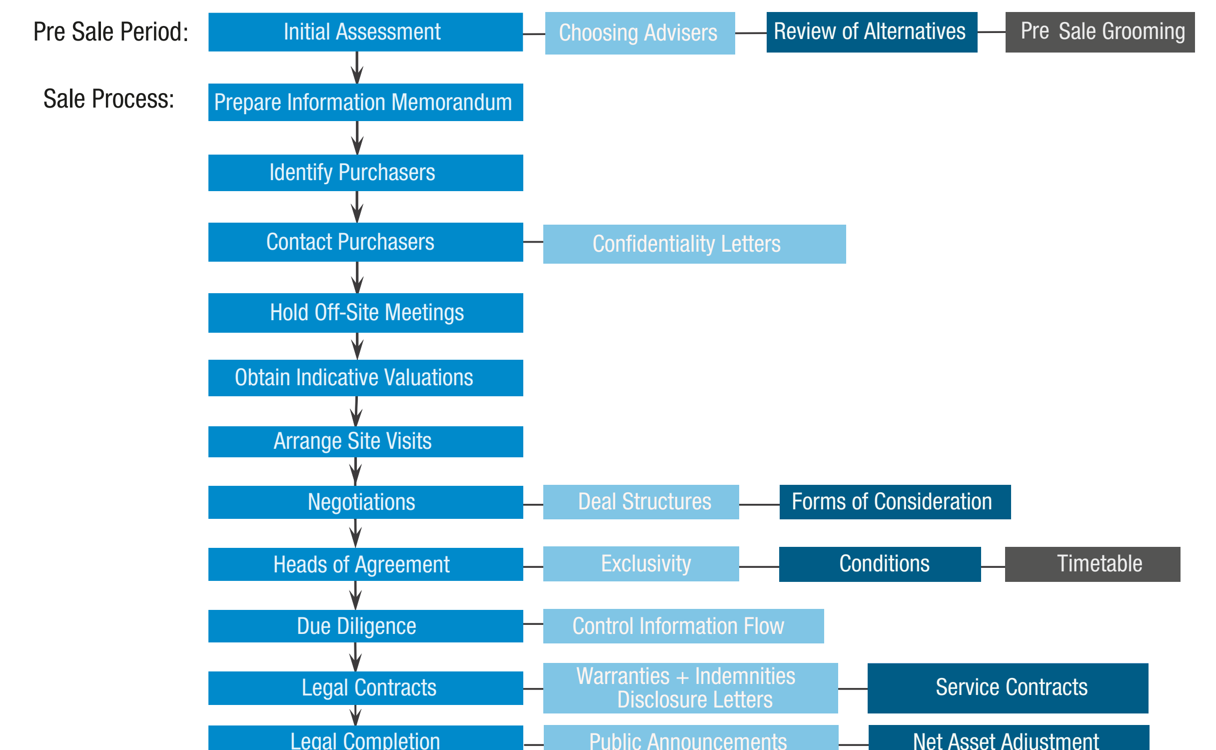
9. THE SALE PROCESS

Choosing the right sale process is

THE SALE PROCESS – FORMAL AUCTION



THE SALE PROCESS – INFORMAL AUCTION



absolutely essential for a vendor intent on maximising value. Getting the process wrong can have dire consequences from a valuation perspective and may well ruin the sale completely. There is no 'one size fits all' sale process. The two most commonly used processes are formal and informal auctions but even within these two categories, there are significant variations on these themes.

Formal versus informal auction

With a formal auction, potential bidders are given a timetable requiring them to give the vendor an indicative valuation by a certain date on the basis of information contained in the sales memorandum. Upon receipt of indicative offers, several potential purchasers are short listed and given the opportunity to meet management, conduct site visits, given access to a data room which will typically include a vendor due diligence report. Following this they will be required to make a final binding offer for the company.

This route is only feasible where it is expected that there will be a strong level of demand for the business allowing the vendor to dictate the sale timetable to potential purchasers. The timing itself must not be too rushed – for example, if likely bidders will need to go through an approval process, the adviser must allow reasonable time for that to happen.

The likely level of interest in a company will, in turn, typically depend on a number of factors including:

- the size of the company (the bigger it is the more interest it will attract);
- the attractiveness of the sector in which it operates;
- the company's historic and projected financial performance; and

CASE STUDY – RIFLE SHOT CANNON AVENT

Cannon Avent, the baby care business, was founded 20 years ago by Edward Atkin when he was feeding his own children and realised that traditional baby bottles were not up to the task. At that time the business also made rubber car mats and he used his chemical engineering expertise to develop a bottle which was the next best thing to breastfeeding.

The Atkin family had established a close relationship with their advisers over many years. When they received an unsolicited offer of £300 million from Charterhouse Capital (representing nearly three times turnover), they asked their advisers to complete the sale to Charterhouse as quickly as possible and with minimal disruption to the business, on a rifle shot basis.

Accordingly the advisers managed an accelerated process, running contract negotiations in parallel with due diligence and also demerging the rubber mats business. The entire process was concluded within eight weeks, giving a 100% cash exit for the Atkin family and their co-investors, 3i.

- the general state of the M&A markets.

If no offers have been received by the deadline imposed and the vendor or a number of parties have missed the deadline and the vendor is then forced to give time extensions to interested parties, his negotiating position will be seriously weakened.

If there are likely to be a large number of overseas purchasers interested in the company this also argues against the use of a formal auction as they will require variable and in some cases unknown lead times for response generation.

Accordingly, if there is any doubt as to the likely level of interest in the business, it is best to avoid a formal auction. If, subsequently, the approaches to potential purchasers generate an extremely positive response, the option always exists to convert the exercise into a formal auction at a later time by imposing formal deadlines for bids.

In the case of smaller or less attractive businesses, the vendor is compelled to run at the speed at which purchasers are prepared to respond and therefore cannot set deadlines for the receipt of bids. Competition between purchasers can still be generated if sufficient interest is obtained but the resultant auction is less formalised than the process described above.

Rifle shot

In some cases it may be appropriate to sell to a single buyer without any marketing to third parties at all. This can be for a variety of reasons, because the offer is unlikely to be beaten by any other bidders, for a vendor's personal reasons or simply because there is only one purchaser for a particular business.

Great care must be taken to ensure that the buyer in a 'rifle shot' exercise does not abuse their exclusive position.

Staggering approaches

In approaching potential purchasers, the objective is to ensure that even where a formal auction is being deployed, all offers for the company are received at broadly the same time. Some purchasers will require more time than others to assess whether they wish to buy the business and the price they would be prepared to pay.

Overseas companies and potential purchasers outside the vendor's sector will require more time to reach a decision than direct competitors and will therefore need to be approached first. The staggered method of approach can be employed, to some extent, even in the context of a formal auction.

Dealing with unsolicited offers

If a proprietor receives an unsolicited offer for his business which is pitched at an acceptable level, should he progress that offer or test the market more widely to determine whether a higher offer could be achieved? There are no hard and fast rules on this issue. Generally speaking, there will be little downside in conducting a wider marketing exercise as it is generally unlikely that the party who has made the approach will go away. However, if there are no other logical buyers for the business and the offer is at a level which, in the opinion of the vendor and his or her financial advisers, represents a very full price for the business, it may be that the best alternative is to commence negotiations on the offer on a 'rifle shot' basis. This is particularly so where there is a real chance that the offer may be withdrawn unless it is progressed on a timely basis.

Even where it is decided to pursue a 'rifle shot' approach and talk exclusively to the purchaser in question, in order to support the vendor's negotiating position, it is often useful to remind the purchaser that other buyers are potentially waiting in reserve. For example, it may be worthwhile to have the adviser prepare an information memorandum to show that the vendor has a serious intent to approach other potential buyers of the business in the event that the purchaser does not deliver on his offer.

Contacting potential purchasers

Each type of potential purchaser has its own characteristics which will determine the preferred method of approach, but some general rules apply. Sending out anonymous descriptions of the business to potential purchasers is not usually a successful method of approaching buyers and any approaches by advisers or vendors must, if appropriate, comply with the financial promotions regime in the UK or the relevant regimes in other territories.

It is generally not advisable to give purchasers an indication of the vendor's price expectations. If one gives a price indication to the purchaser, offers will automatically be capped at that price and if the price expectation given is excessive, it may frighten some purchasers off. It is usually preferable to let purchasers arrive at their own valuation and then work the offers up to an acceptable level.

Exceptions to the general rule include possible 'time wasters' or direct competitors. A vendor will not wish to progress with such purchasers unless he is confident that they can meet the minimum price expectation.

In terms of maintaining confidentiality, purchasers can be asked to sign confidentiality letters before being given the identity of the vendor and receiving the sales memorandum. Other measures which should be taken include:

- holding initial meetings with potential purchasers at the adviser's offices;
- ensuring that the purchaser always communicates via the adviser rather than directly with the

vendor; and
- only permit site visits where potential purchasers have demonstrated serious intent and given an acceptable indication of value.

Informing employees

In order to maintain confidentiality, it is usually preferable to inform only a small number of key employees, usually just senior accounts staff, of a potential sale exercise. It is often helpful to stress that the exercise is at a very preliminary stage and may well not result in a sale. As the exercise progresses, it may be appropriate to bring other staff into the picture and it is good practice to have an agreed announcement.

The vendors should also agree a handover plan with the purchaser, so that employees are informed of the sale ahead of any public announcement.

Vendors should make sure that they are proceeding in accordance with the relevant employment laws and regulations, particularly if the sale may result in redundancies and/or any significant changes in roles and responsibilities. For example, in the case of an asset sale the vendors should take advice on the relevant TUPE regulations and the need for formal consultations.

Managing a leak

For the sale of a private company other than via a public auction, the vendor will seek to keep the sale confidential until it is completed. Proprietors of private companies are typically concerned about the negative impact which a leak about the impending sale would have on its staff, customers and suppliers. It is common for example where competitors become aware of the impending sale of the business to utilise the uncertainty surrounding the future ownership of the business to either poach staff or customers. Vendors are generally better advised to target a selected number of prospective buyers and approach them confidentially. A number of steps can be taken to maximise the chances of keeping the sale exercise confidential.

As mentioned earlier, it is advisable to assume that, at some stage, news of the sale may leak and to adopt a strategy to manage the leak.

For that purpose, a 'hymn sheet' should be prepared containing a response to a leak agreed by both the vendors and their advisers. These responses may vary, depending on the stage of the transaction.

An angry denial by the vendor that his company is on the market may merely serve to confirm the accuracy of a rumour. A relaxed and disarming response to the effect that 'the company is always receiving approaches' or something similar is preferable.

Meetings with potential purchasers

Before meeting with a potential buyer of the business, it is essential that, in conjunction with his adviser, the vendor has:
- examined the potential purchaser's past acquisitions and the prices it has paid;
- determined its funding capability;
- reviewed any published acquisition criteria of the purchaser; and
- reviewed what has happened to companies previously acquired by the purchaser.

The deliverability of offers is just as important as the price at which they are pitched. The vendor should never confer preferred bidder status on any acquirer, without an extremely strong conviction that the purchaser will actually deliver on the offer he has made for the business.

Vendors are often surprised by the fact that meetings with potential buyers are often as much about the purchaser convincing the vendor why they represent an appropriate buyer of the business as they are with the vendor convincing the purchasers of the merits of his business. A purchaser will often attempt to reduce the price he needs to pay for the business by offering sweeteners to the vendor such as a seat on the purchaser's board of directors or by stressing the benefits which the vendor's business will receive by becoming part of the purchaser's group.

Data room

A data room is a key element of the sale process. A data room should contain all detailed financial, commercial and legal information on the company including detailed management accounts, copies of all contracts, particulars of all employees and properties and where available, a vendor due diligence report.

The data room is typically provided to purchasers in an on-line format via a secure third party on-line data room provider with password protected internet access. The data room can also take the form of an actual room full of information, typically at the legal advisers' offices.

The major advantage of an on-line data room is that it is accessible simultaneously by multiple users. This makes the due diligence process much more efficient. It also gives the providers valuable insights from an analysis of the information viewed by the purchaser, the number of representatives of the purchaser who have viewed the data room and on what information the buyer has focused.

The objective of the data room is to ensure that final offers are made on the basis of full disclosure and that when preferred bidder status is conferred on a particular bidder, the chances of that bidder withdrawing or reducing its offer on the basis of information gleaned during final due diligence is significantly reduced.

10. THE NEGOTIATION PROCESS

Once potential purchasers have been

contacted, the negotiation process has effectively started. One cannot be definitive as to how to negotiate with potential purchasers. Different purchasers will respond differently to different approaches and accordingly the approach taken must be determined on a case by case basis. There are nevertheless some general rules which should be followed in the context of negotiations with any potential buyers of the business.

Understanding the purchaser's objectives

It is important for the vendor to understand the potential purchaser's viewpoint and to ascertain what it is seeking to achieve from the acquisition. For example, occasionally a purchaser will be interested in the business for emotional rather than strategic or financial reasons. One frequently encountered objective is status. If the target has an extremely prestigious brand name or a royal warrant, a purchaser may be more interested in the kudos which may attach to the ownership of the business than its profitability. If that is the case, it may be possible to extract a higher price than the financial performance of the business would appear to merit.

Similarly, if the potential purchaser is considering the acquisition of the business for strategic reasons, for example, to obtain entry into the European market, it may be prepared to pay considerably more than a conventional multiple of earnings. It is also important to understand what improvements a purchaser could make to the business by way of cost savings or revenue enhancement and to ensure that this is factored into the pricing of the business. A purchaser's starting point in any price negotiations will be that they should not pay for any synergies which they bring to the vendor's business but they may, e.g. be forced to price in some of these synergies in order to win a competitive auction involving other purchasers who bring similar synergistic benefits to the table.

Releasing information

The release of information on the business needs to be carefully controlled. Although it is essential to disclose all critical information on the business before signing heads of agreement, different considerations apply after heads have been signed. For example, it may be advisable not to inform the purchaser about good news until a sticking point is reached in the negotiations or to counter any attempt to reduce the purchase price.

Bridging the price expectations gap – earn-outs

Differences in price expectations can be bridged by a number of techniques. The most obvious of these is an earn-out, whereby further consideration is paid as and when future profits are earned. Vendors can often achieve a higher price via this route as they are assuming part of the

Guideline

risk of the future performance of the business. In effect, they are 'putting their money where their mouth is' by agreeing to link the final price to the financial projections provided to the purchaser. Earn-outs also help a purchaser to pay a higher price by allowing the payment of part of the price from the future cash flows of the business.

Clearly an earn-out will only be appropriate where the vendor is both confident of future profits and where the business will remain autonomous and independent after a sale. In many cases, this will not be possible as the purchaser's rationale in buying the business may be to combine the vendor's business with its own to achieve cost savings on the other synergistic benefits. This may make it difficult to identify the target company's profit stream after the acquisition.

Reviewing offers

No two offers will ever be the same. Potential purchasers will make offers in a variety of forms, including cash, shares and loan notes or a combination thereof. It is essential, in evaluating offers, to determine the true value of each element of the consideration being offered and, in the case of consideration other than cash or bank guaranteed loan notes, to make adequate allowance for risk. Qualitatively, an offer which requires the vendor to take a significant proportion of the consideration in shares or in unsecured loan stock or preference shares is inferior to an all cash offer.

Heads of agreement

Once all offers for the business have been tabled, the next step is to negotiate the terms of those offers. Assuming, at the end of this process, one or more of the offers is acceptable, it is then necessary to choose the offer which best meets the objectives of the vendor.

KEY CONSIDERATIONS IN REVIEWING OFFERS FOR THE BUSINESS INCLUDE:

- An initial value given by a purchaser will not always remain until completion. Some purchasers have a reputation for 'chipping' offers after they have been accepted by the vendor. The acquisition track record of each purchaser must be carefully scrutinised.
- Deliverability is of paramount importance. It may often be advisable to run with the number 2 or 3 bidder if that bidder has a clear edge over the others in terms of likelihood of delivering on the terms agreed.
- Pre-determine a bottom line figure before marketing the business, below which the business will not be sold.
- If the offers received undervalue the business, there is no obligation on the vendor, moral or otherwise to progress with any of them.
- Price is not the only factor relevant to an evaluation of an offer. Other terms of the deal, such as the terms of ongoing service agreements with the vendors and the level of warranties or indemnities required are important and must be fully understood before a final offer is accepted.

It is customary for the essential terms of that offer to be enshrined in heads of agreement. Although save for provisions relating to exclusivity, costs and confidentiality, the heads of agreement is not a legally binding document, it should cover all of the important points of the deal. It is unwise to defer important issues for subsequent discussion for several reasons. First, the heads of agreement stage is usually a honeymoon period where good relations exist between the vendor and the purchaser. The relationship will often deteriorate once the due diligence process starts and the legal negotiations commence.

Secondly, the vendor's negotiating position is at its strongest at this stage as hopefully he will have a number of competing offers on the table to which he can revert if he cannot get the concessions he is seeking from the preferred bidder. If a vendor is forced to revert to other bidders after negotiations have been terminated with the preferred bidder, at the very least his negotiating position will have been seriously impaired. At worst, he may find that the interest of other buyers has dissipated in the meantime as they have moved on to other things.

In many cases, lawyers do not need to get actively involved in drafting heads of agreement. This can considerably lengthen the process and result in a loss of momentum and a loss of enthusiasm on the part of the buyer. Having said that, it is important for a lawyer to cast his eye over the heads of agreement before they are finalised as it is difficult to negotiate away from a position entrenched in the heads of agreement or to introduce new elements after the heads have concluded.

Key issues

Exclusivity

A purchaser will almost invariably insist on a period of exclusivity to enable him to conduct due diligence and prepare and negotiate the necessary legal documentation. Engaging advisers for an acquisition is an expensive exercise and some purchasers may first require an assurance that they will not be gazumped by a competing bidder. The length of exclusivity period is always a matter for negotiation but is generally in the region of six to eight weeks. It is in the interests of the vendor to complete a transaction in the shortest possible time frame, not only because a transaction is disruptive to the business but also because the longer the transaction ensues, the greater the possibility that the sale will be derailed by either an external factor (e.g. stock market crash, war) or internal factor (decline in profits). This period may be longer if the purchaser needs to raise finance or seek shareholder approval for the acquisition.

If the purchaser attempts to renegotiate a key element of the transaction, particularly the purchase price, its exclusivity will lapse as a matter of course. This should be stated as a specific term of the heads of agreement.

Timetable

From the heads of agreement stage onwards, significant costs will start to be incurred by both parties, and senior members of staff may need to be advised of the potential sale. It is therefore important that a detailed timetable is agreed, planning every week up to completion. The vendor should insert a clause in the heads of agreement that if the purchaser fails to meet key deadlines in the timetable, such as the production of the due diligence report by a certain date, its exclusivity will lapse.

Net assets and surplus cash

The typical basis of a sale is that there will be a minimum level of net assets in the company at completion. Alternatively, a company may be sold on a 'cash free/debt free basis'.

If a net assets test is used, the minimum net asset figure agreed will typically be determined by reference to the net assets of the company as stated in its most recent set of audited accounts. This figure might be subject to an upward adjustment to take account of the increased working capital requirements of the business since the last accounts were published.

Often, the actual net assets of the business on completion will be determined by a set of completion accounts with the vendor being required to reimburse the purchaser for any shortfall relative to the minimum figure and possibly being entitled to be paid any excess by the purchaser.

The alternative to a net assets test is a cash free/debt free basis. Care needs to be taken, if this concept is used, to ensure that the parties have the same understanding of this concept. A purchaser will often wish to deduct the following items from any cash on the balance sheet to determine surplus cash:

- any actual corporation tax liabilities of the company;
- an imputed tax charge in respect of current year earnings;
- any borrowings including bank debt, hire purchase obligations and finance leases; and
- any substantial capital expenditure requirements which are due in the immediate future.

The basis for determining surplus cash can be one of the key elements in negotiations with the purchaser.

Retentions and escrow arrangement

A purchaser will often request a substantial retention from the purchase price, from which any post completion processing adjustment or a warranty claim can be settled. Such a retention account is designed to provide the purchaser with security of payment of any such claim and will typically be placed in a separate escrow account, often for the duration of the warranty period.

If the owner has established a good relationship with the purchaser, it is very helpful to keep the dialogue going in this critical period as this can help to ensure that as and when they arise, problems are resolved speedily between the principals at an early stage.

The vendor should ensure that issues already agreed by the principals are not being renegotiated and that advisers do not become bogged down over minor points which can be readily agreed between principals.

Other key issues to be addressed in the heads of agreement include:

- terms of ongoing employment/ consultancy agreements for the vendors;
- the extent of warranties to be given, the length of the warranty period and the identity of warrantors; and
- the length and extent of restrictive covenants which the vendors will be required to give preventing them

WHY DO DEALS COLLAPSE AFTER HEADS OF AGREEMENT?

Having prepared the business for sale, identified a purchaser, and negotiated the terms of a deal, why do some sales complete and some fall by the wayside?

There can be a tendency for owners to feel that once the heads of agreement are signed with a purchaser, the deal is done. In fact, often the stage between agreeing terms and completion is the most difficult period of the sale exercise. A whole new group of advisers become involved, including two or more sets of solicitors, reporting accountants, as well as perhaps firms of stockbrokers and other financial advisers. They will not always have been party to the original negotiations, nor understand the nuances of what has been agreed. As a result, misunderstandings can and do arise.

Alternatively, issues may arise from the due diligence process which cannot be satisfactorily resolved.

Deterioration in the financial performance of the business can result in the purchaser withdrawing or attempting to reduce the purchase price. This may be due to the general business climate or to the fact that the vendor and the rest of the management team have 'taken their eyes off the ball' because of their involvement in the sale process.

from competing with the business post completion.

11. THE DUE DILIGENCE PROCESS AND WARRANTIES

Due diligence is, in essence, an investigation of the business and the market in which it operates, designed to ensure that the assumptions underlying the purchaser's offer are correct. Vendors often fear the due diligence process but, provided the vendor has not withheld any crucial information concerning the business, it should not give rise to any unpleasant surprises.

That said, the extent of the purchaser's knowledge of the business and its market is an important factor. There is always the possibility that at the time heads of agreement are signed, the purchaser has not adequately understood the business or its market, thus the vendor is in a vulnerable position. The extent to which the purchaser needs to conduct detailed diligence to supplement his existing knowledge of the business is, therefore, a relevant factor in the vendor's choice of preferred bidder. In particular, a purchaser which does not require to undertake market due diligence might be favoured over one which does, all other things being equal.

Types of due diligence

There are several types of due diligence, as follows:

Financial due diligence

Financial due diligence involves a detailed examination of the financial affairs of the company with particular focus on the historic, current and projected performance of the business. Financial due diligence will generally take the form of a lengthy accountants report on the business. One of the critical roles of the reporting accountants will be to test the assumptions underlying the profit projections of the business as it is the future profit stream of the company which forms the essence of what the purchaser is buying.

TIPS FOR SUCCESSFUL NEGOTIATION

- All information that is provided to the purchaser should be correct. Bear in mind that most purchasers will carry out rigorous due diligence to verify all that has been discussed in negotiations. Always assume that all information concerning the business will be unearthed by due diligence.
- It may be advisable not to reveal all of the business's attractions initially, but to keep something back for later to counteract any attempt by the purchaser to renegotiate the terms of the transaction.
- Use advisers to your best advantage. Let them pursue the hard points, possibly without the principals. The situation can always be retrieved by the principals if a compromise is necessary.
- Always consider the discussions from the other person's point of view; negotiations are never one-sided.
- Have realistic expectations and stick with them; instruct advisers to follow the same line.
- Be prepared to withdraw if your objectives are not being met.

Market due diligence

If the purchaser is not already familiar with the market in which the vendor is operating, it may undertake some market due diligence either in-house or by commissioning external consultants. Commercial due diligence of this nature is not only concerned with the future of and underlying trends in the market in which the company operates but will also assess the company's position within its market and how competitive influences are likely to impact on its future performance.

Environmental

Depending on the sector and activities of the target business, a buyer will often require environmental due diligence. This can range from a simple desk survey to full-on ground testing. Environmental risks can have substantial price implications (and in some cases may deter purchasers altogether) and so should be considered well ahead of a sale.

Property

Any premises used by the business, whether freehold or leasehold, will be the subject of property due diligence.

Customer due diligence

Almost invariably, a purchaser will wish to speak to the company's major customers to assess their level of satisfaction with the company and the prospects for their continued patronage. Clearly there are considerable commercial sensitivities involved in customer due diligence as if the deal does not proceed after the customer interviews have taken place it may impact adversely on the company's ongoing customer relationships. There are a number of ways to overcome this problem. One is to persuade the purchaser to conduct an anonymous customer survey whereby market researchers are engaged to elicit the opinions of customers on both the company and its competitors under the guise of a general market review. If this is not acceptable or appropriate, the vendor should at the very least insist that:

(a) customer interviews are left until the very end of the due diligence process;

(b) all questions to be asked of customers are first approved by the vendor; and

(c) the purchaser gives an assurance that subject to the satisfactory outcome of the customer visits, the deal will proceed on the basis of the terms agreed.

Management due diligence

Financial buyers will generally wish to carry out due diligence on the senior management team as well as meeting them on an individual and collective basis. The due diligence generally involves taking up personal references from former employees and business associates and checking for any previous bankruptcies or criminal records. Increasingly, management due diligence is conducted by external consultants employing highly sophisticated methodologies which may include psychometric testing and other forms of psychological type aptitude testing.

Legal due diligence

Legal due diligence focuses on key contracts and other legal documentation of the company. The company's exposure to litigation or other contingent liabilities and ownership of assets including its properties and intellectual property rights will also be reviewed.

Other due diligence

In addition to the above it is likely that a buyer will require specialist reviews of areas such as intellectual property, employment, pensions and insurance, as well as an assessment of any particular risks or pricing issues identified.

Warranties

Many vendors get extremely agitated about the prospect of having to give warranties on the business to the purchaser. In reality, the number of occasions when a claim is made by a purchaser against a vendor for breach of warranty is comparatively small. Again, if the vendor has been honest and forthright in his dealings with the purchaser he will generally have little to worry about. Having said that, the extent of warranty cover sought by a purchaser is a consideration in reviewing competing bids as there will be inevitably some matters covered by the warranties which are outside the vendor's knowledge or control.

The key areas covered by warranties include the following:

- the company and its affairs;
- the company's financial accounts;
- material changes in the financial; presentation of the company since the latest accounts;
- undisclosed liabilities;
- litigation;
- property matters;
- environmental matters;
- tax;
- insurance;
- employees;
- intellectual property and information technology; and
- compliance with applicable legislation.

HOW TO MANAGE DUE DILIGENCE AND KEEP YOUR SANITY

- Ask your advisers to review all due diligence requests for reasonableness – and make sure the buyer knows you will be doing this.
- Unless your accounting systems are very primitive or specialised, you should generally not be creating new data. Always check to see if your existing information is in fact adequate.
- Make sure that the purchaser's advisers share the information you provide, rather than each asking you the same questions – a data room can be invaluable here.
- Keep as much due diligence as possible off site.
- Keep duplicate records of everything you hand over as well as notes of everything you discuss. This will be helpful if there is a dispute and in any case will be needed for disclosure.
- Where there is sensitive information in the business, consider only providing this at a later stage when you are more sure the transaction will go through.
- Always put the business first. If the business is suffering because of the demands of due diligence, request a period of time to just focus on the business.
- Consider increasing your resources to deal with due diligence, such as seconding in accounting personnel.

12. CONCLUSIONS

Each business is unique, and each vendor has their own characteristics and objectives, but certain key rules nearly always apply in achieving a successful sale:

- determine the objectives of the sale exercise and ensure that they are agreed and understood by all of the company's shareholders;
- identify the appropriate route to meet the vendor's objectives;
- start preparing for a sale exercise well in advance;
- set realistic targets, both for timing and price, and regularly review the position;
- never underestimate the detrimental effect that a sales process can have on staff morale, energy or contribution. A decision to undertake a sale exercise should never be made lightly; and
- be prepared to walk away from the deal if the objectives are not being met.

Other reading

The following best-practice guidelines may also be viewed at www.icaew.com/corpfinfac:

Issue 30 Selling a family-owned business – process and pitfalls

Issue 44 Financial promotion – the exemptions framework under the FSMA

Issue 46 Valuation issues – issues that corporate finance practitioners will encounter in their work

Notes

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Cavendish

Cavendish Corporate Finance LLP

Cavendish Corporate Finance is the UK's leading independent specialist adviser to vendors of businesses. Founded in 1988, Cavendish has advised on some 400 company sales with clients including private companies, financial institutions and fully listed public companies.

Typical transactions fall broadly within the £10 million to £200 million 'mid-market' value range.
Cavendish is unique in that it has only ever acted for vendors of businesses and as a result has built up an unrivalled specialist expertise in managing the company sale process.

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