

# ADDING VALUE TO YOUR COMPANY

## Welcome

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CAPITAL PARTNERS LTD

Creating Real Wealth

IPEX

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# WHAT IS WEALTH?

**wealth/** 1. the state of being rich and affluent; having a plentiful supply of material goods and money.

2. a) all property that has a money value or an exchangeable value. b) all material objects that have economic utility; especially: *the stock of useful goods having economic value in existence at any one time.*

If you are considering the sale of your business, increasing its value will increase the consideration paid and ultimately your wealth.

# WHY SELL?

- Diminishing returns
- Lack of succession
- Emigration
- Poor health
- Retirement
- To realise your investment
- The business is “the pension”
- Irreconcilable differences amongst shareholders
- Just had enough

# HOW YOU CAN ADD VALUE: DO....

- Speak to a specialist adviser early on
- GROOM the business
- Value the business now – not an evaluation!
- Avoid bad debts
- Identify and overcome obstacles now
- Pay off debt
- Ensure an effective second tier management is in place for after you've gone
- Keep a record of all non-recurring or 'lifestyle' costs, add-backs and company events
- Run business and plan for the future as if you weren't selling
- Ensure that tax and statutory affairs are in order
- Procure valuations of all key fixed assets
- Manage costs
- Maintain relationships

# WHAT IS GROOMING?

- Creating a good first impression – NOT window dressing!
- Conducting vendor due diligence and identify key issues & obstacles
- “Thinking like the acquirer”
- Preparing documents inc Business Plan & Forecast
- Performance, managing for earnings
- Plan ahead and move to the sale process – while maintaining confidentiality
- Preparing the management team
- Raising the profile
- Public Relations Plan
- Market position
- Negotiate lease breaks
- Prepare for acquirer due diligence (information availability)
- Value the business and Business Improvement Programme
- Identify potential buyers

# HOW YOU CAN ADD VALUE: AVOID....

- Changing Bank and Auditor
- Changing Depreciation Policy & inconsistent accounting
- Long property leases with no break clauses
- Avoid balloon payments
- Ensure all contingent liabilities are adequately counted for, i.e. termination/performance bonuses
- Dependency on a single customer (15% +)
- Final salary pension schemes
- Buying new equipment
- Recruitment unless essential
- Selling at the wrong time (economic cycle; sell when you don't need to)
- Single source supplier
- Dependency on a single member of management
- Goodwill – an intangible asset

# HOW AN ADVISER CAN HELP

Grooming procedure.

Understand and review the business and future prospects with the management team



Identify the preferred objectives and timescales of the principal shareholders



Identify any obstacles or conflicts which could frustrate or delay an exit



Evaluate alternative exit routes and the Tax implications



Recommend an exit route and timing



Propose an action plan to maximise shareholder value and overcome obstacles or conflicts prior to initiating an exit

# OPTIONS & ALTERNATIVES

- Trade sale
- Management Buy-Out (MBO)
- Management Buy-In (MBI) or BIMBO
- VIAMBO
- Re-financing
- Company buy-back of some share capital
- Financial re-structuring
- Partial sale

# POTENTIAL PROBLEM AREAS

- Credit crunch
- Nobody buying in a recession
- Buyer's ability to raise finance
- Going it alone
- Cultural differences
- The deal structure
- Deferred consideration
- Poor Business planning by acquirer
- Lack of post-sale planning
- Due diligence findings, inc environmental, asbestos
- Your team – reactions, when to tell them. Consider completion bonus

# THE SALE PROCESS



# SUMMARY

- Appoint an industry specific specialist adviser early on to guide you through the process
- Identify the key issues early prior to a sale
- Consider the numerous ways of how to add value while avoiding common mistakes
- Pre-sale grooming increases value and thus the chances of a successful sale
- Plan ahead to reduce risk and determine objectives/timescales/tasks
- Set SMART objectives (specific, measurable, attainable, relevant, timing)
- Timing is essential – be realistic
- Recognise/address obstacles and consider alternative exit routes
- Post sale planning - essential since some consideration may be deferred or performance related

*Remember, the more value you can add to the business now, the higher its likely asking price and the greater the wealth that can be realised following a successful transaction*

**Wealth:** the state of being rich and affluent; having a plentiful supply of material goods and money.

# Thank you

## ANY QUESTIONS?

Specialists in Print, Packaging  
and Direct Marketing

  
**RICHMOND**  
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