

SALE OF A B2B COMPANY

Case Study

We have worked with our client for a number of years, through their time as an importer from Europe when they started to see the consequences of BREXIT within their market, to the sale of the business as part of an MBO.

UNDERSTANDING OUR CLIENT

Our client had grown from a start-up over 25 years ago, with Henson Crisp being the director's financial planners for around 20 years. We had helped them accumulate significant pension funds and manage the cash within the business to ensure it was working as hard as it could be.

Because the company was a specialist in its sector, a trade sale was always going to be difficult. However, the Managing Director wanted to retire from the business within five years. We therefore explored the different options available for the company: trade sale, MBO, EOT, or winding it up. The MD's preferred route was an MBO, as this would provide certainty for both the current team and the businesses they supply.

PREPARING THE BUSINESS

The directors felt that they needed to strengthen the team they had in place. Therefore, we recommended a recruitment consultant we knew in their sector to look for a member of the team who could take over the running of the business when they wished to sell, with the intention that they had two years to train them and for them to prove their capabilities. If they did not feel that they were able to do this, then they would have to pursue a closure of the company, but this would not be ideal, as they really wanted to protect their customers and team.

Over the course of two years, we worked closely with the directors on cash flow planning. This ensured their pensions were on track and that the company's cash reserves were invested to achieve the best possible returns.

PREPARING THE BUSINESS CONT'D

During the two years, the directors had conversations with the potential successors and provided training and coaching for them to ensure that they were in a good place to complete the purchase. When the time came for them to have the conversation, all parties were comfortable with each other and the processes and customers did not see any possible changes, so a price was agreed with the buyers and heads of terms signed. As the company had limited need for a solicitor in the past, we introduced them to a corporate lawyer to complete the sale and provide their advice.

THE NEXT STEP

We met with the directors to discuss options for their consultancy going forward including number of days worked, tying this in to their earn out period of two years, the sale was payable 70% on completion with 15% at 12 months and 15% at 24 months, the directors have made themselves available for 120 days in the first 12 months and 80 days in the next 12 months for a pre-agreed day rate.

BEYOND THE SALE

We are now 14 months into the purchase, and all is going well. The customers and suppliers already knew the team that bought the business, so this has provided them with stability and confidence. The retiring directors have stepped back and are enjoying spending time on the next chapter.

As they are still being paid, they have not needed to draw down as much as they expected from their retirement plans. We revisit their cash flow plans for spending each 12 months and provide them with ongoing advice.

This case study is based on real clients' and their financial circumstances. These case studies provide insight into how we work and the services we provide for our clients which may or may not be suitable for you. Each clients' circumstances are assessed on a case by case basis and our recommendations and advice may differ from the solutions we provided to the above client. Please speak with one of our advisers who can take your individual circumstances into account when offering guidance or putting together your personal financial plan.



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