



## Unfurl Your Full Potential

How to maximise your purchaser impression and business sale value.

### Also Inside:

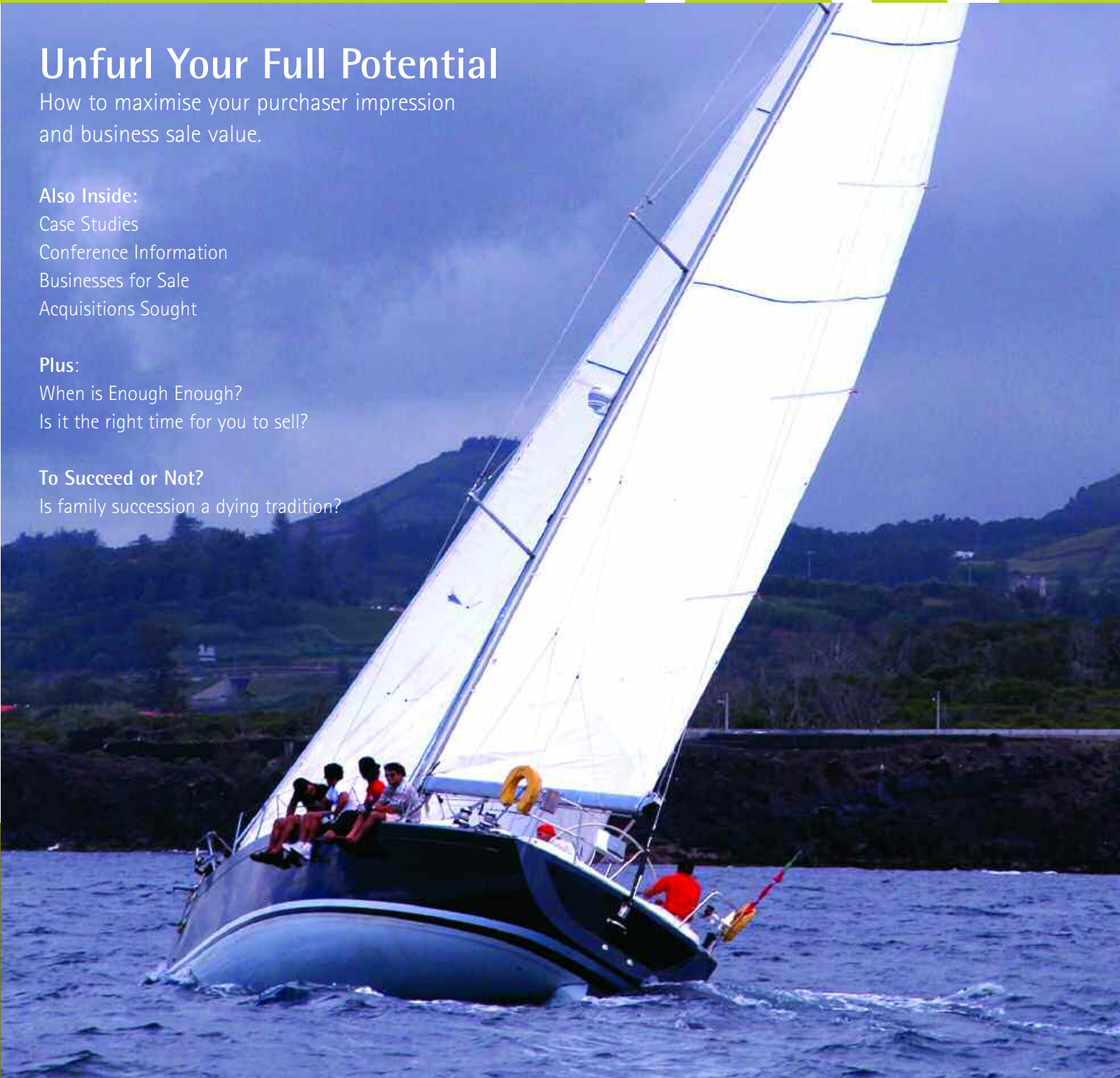
- Case Studies
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**AVONDALE**

adding value to you and your business

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# Welcome to AV

In this issue, as well as our **Business Listings, Case Studies and Business News**, we take a close look at Avondale's unique **Exit Builder**.

This is a thorough and carefully planned strategy based on Avondale's experience and expertise to ensure that your company is functioning to its full potential to create that perfect "purchaser impression" and to maximise your sale value.

For invaluable information on increasing the value of your business, why not attend our conference, detailed on page three?

For more information on any of the articles featured here, please contact us at:

[AV@avondale.co.uk](mailto:AV@avondale.co.uk)

## Register

On [www.avondale.co.uk](http://www.avondale.co.uk) to receive email updates, technical guides and M & A news and views.



# Unfurl Your Full Potential

Many owners would seek an exit if they could. They recognise it is strategically beneficial and an excellent route to achieving life and capital wealth. Sometimes however, today's market value is not quite enough for your personal aspirations. After all, there is no point in selling and struggling. What is the point in selling your business at a price below its true value?

Avondale specialise in adding value to businesses. In the last projects we undertook, initial value expectations were exceeded on sale by over 20% and in some cases, by over 50%.

Maximising your "purchaser impression" enhances the premium that the buyer will pay. If you were selling your property you would ensure that it looked the best it could, well decorated, garden in order, to achieve "kerb appeal" and maximise its value. The same is true of your business. Based on our experience, we would

recommend that the following areas are represented in tip top condition to achieve that perfect purchaser impression.

## Management

The stronger and more informed your team are around you, the easier it is for a buyer to take over. To put it bluntly, your management role needs to be replaceable. Delegate where possible and create clear areas of accountability and responsibility to quality people around you. The more established and sustainable the team, the happier the buyer will be.

**Reduce Dependency on Key Customers, Clients and Suppliers:** Dependency can significantly reduce marketability of the business especially where there is a close relationship with the owner. If you have such a dependency, introduce other staff to the client and focus on bringing in new business. Imagine, what is the worst letter you could get on your desk? Could it be from a key customer or supplier severing your arrangements. What could you do to eliminate this risk?

## Legal

**Review and Formalise Contracts:** Review trading, employment and agency agreements to ensure they are transferable to a new owner. Consider if there are any renewals that will have an impact on sale and time the sale accordingly or renegotiate these arrangements prior to sale. Are there any personal guarantees, or charges on personal assets given by you to finance the business or provide comfort to Landlords? Buyers will have to replace these, so if you can negotiate them now, you will increase the value to the buyer and make the sale easier.

**Employees:** Final salary pension schemes can be extremely unwieldy at a sale, so these need to be examined and clarified. Have all your staff got legal contracts? Is your incentive scheme or more often your tax effective bonus scheme sustainable to a buyer. It worked for you, but will it for them, especially if they are a corporate buyer?

**Share Structure:** Many exits fail because of disparate shareholder requirements. Perhaps it could be an age difference that causes different exit drivers, or possibly simply one needs more money than the other. Whatever the reason, it is a good idea to examine the needs of all parties early on. It may make sense to purchase a minority share prior to going to market. It could be cheaper and easier. Either way buyers usually require 100% of the share capital. If a shareholder has more than 25% they have rights which can effectively

veto a sale in the UK. Again this needs to be looked at early on. Will the minority parties seek to buy the business and undermine the sale process solely with that aim? Generally the best way to deal with different shareholdings is to get everyone to agree on a pro-rata basis. Talk to all parties long in advance. Examine each parties' motivation and agree strategies that work for all.

Finally, are all the shareholders present and involved? They will all be asked to give warranties to a buyer but will the minority parties be willing to if they are not involved in the process?

**Litigation:** Conclude any litigation either by or against the company. Such action can seriously damage the goodwill of a business. Buyers may see litigation action as the tip of an iceberg. What other issues are there?

## Accounts

**Profitability:** Maximise profitability and reduce non-core business expenditure. Can you increase your gross profit at all? Is it possible to work on supplier agreements whilst improving your service and product at the same time, thus being able to increase prices? Are there expenses that are superfluous? Have you overheads that don't generate a return? Could you use IT systems or different processes to save money? Ensure all elements of trading are visible. Buyers hate complicated accounts. It raises too many questions.

**Rationalisation:** Consider separating any part of the business that will not add value to the sale. It may be that you need to isolate a division into a separate company, as it is unlikely to appeal to the same buyer. There could be tax advantages to this.

**Presale:** Ensure information is available and recorded properly to enable a potential acquirer to fully assess the business. Identify an experienced corporate advisor to assist you in your exit process.

# Maximise Your Value with Avondale's Exit Builder

We have explained areas that can be examined and improved upon to increase your purchaser impression and ultimately the value of your business. Avondale offer expertise in their "Exit Builder" product. This proven plan uses coaching methods to help you realise specific value improvements in a structured, efficient and economical way. Exit Builder ensures you:

- Achieve real value improvements
- Maximise your purchaser impression enhancing the premium the buyer will pay
- Avoid costly last minute mistakes
- Achieve a maximised, planned and efficient sale
- Save valuable time
- Minimise distraction giving you more time to plan your future.

Build the value of your business, and join the entrepreneurs and business owners who Avondale have help achieve time and capital wealth through Exit Builder. Simply call us on 01737 240888 to discuss your requirements and strategy in confidence without obligation.

## Exit Builder Tips

- Create a strong, retainable management team
- Reduce dependency on key customers and/or suppliers
- Review and formalise all contracts
- Ensure your incentive schemes are sustainable to new owners
- Review and formalise final salary pension schemes
- Examine all shareholders' requirements and agree an exit strategy that works for all
- Maximise profitability and reduce non-core business expenditure
- Consider separating any part of the business that will not add value to the sale
- Ensure all elements of trading are visible
- Identify an experienced corporate advisor to assist you in your exit process.
- Call Avondale on 01737 240888



# Business News from Avondale

## Conference

How to increase and realise the value of your business

This morning seminar, run by Avondale Group, is packed with invaluable information on growing, buying or selling businesses. This is an educative and practical conference that you cannot afford to miss. It will assist you to:

- Increase the value of your business
- Understand valuations
- Demystify the technical aspects
- Save money and time
- Build a strategy

Professional Development Conference –  
Only £49 & VAT.

Includes free audio CD "How to buy and sell a business for wealth". Seminar covers:  
Enhancing Value-Valuations • Business Sales  
• Acquisitions • Tax • Legal • Finance

Breakfast Seminar Dates (8am-11am)

### Business Sales | Mergers | Acquisitions May Series

Tues 8/5/07	Leeds: Leeds Armoury
Wed 9/5/07	Central London: Rubens Hotel
Thur 10/5/07	Birmingham: National Motorcycle Museum
Tues 15/5/07	Glasgow: Dakota Eurocentral

### October Series

Wed 3/10/07	Gatwick: Hilton Hotel, Gatwick
Thurs 4/10/07	Bristol: the British Empire & Common-wealth Museum
Mon 8/10/07	Manchester: The Lowry Centre
Tues 9/10/07	Milton Keynes: Cranfield Management Development Centre

## Sandra & Campbell Enjoy a Sunny Hogmanay Down Under

### CMD Fire and Security Limited

Having started with a fax machine and a van back in 1990, Campbell McDowall and his wife Sandra built the business up to be one of West Scotland's leading provider of fire and security services. With two young children a decision was made to fulfil a shared lifelong dream and emigrate to Australia. The Glasgow Avondale office were instructed to sell the business in February 2006 with a target completion date prior to December 2007 when it was hoped that Hogmanay would be celebrated in the sunshine of Bondi Beach.

After extensive research and interest, one of Scotland's largest independent security firms, CSS Ltd., entered into negotiations with Avondale to purchase the business. Through careful negotiation a deal was struck that met with both financial and

timing objectives. Not only was 100% of the consideration paid on the 31st October 2006 but both Sandra and Campbell were offered attractive consultancy terms that met with their visa application restrictions on employment. With the deal being a share transfer, all the employees were kept in employment something not so common in the fire and security sector." We are both very happy with the agreed deal and look forward to the sunshine and new life down under." Campbell said.

Paul Connelly of CSS Ltd said "This acquisition is of great strategic importance to the future of CSS. We now have a solid established business whose main focus is fire extinguishers, something that we have never sold to our existing customers."

## How to Buy and Sell a business for Wealth

Published by May 2007

Unless you are due to receive a large inheritance or win the lottery for the majority of us building and selling our own business is the greatest opportunity that our society offers us to become financially free. Imagine having enough money invested that you need never worry again about paying the bills, being made redundant, taking a holiday where and when you want. Financial freedom gives you more opportunity to achieve life wealth in exploring other opportunities other than working.

This book authored by Kevin Uphill (Managing Director of Avondale) and Alex McMillan (Entrepreneur and management writer) provides an overview of the technical aspects of the process; the how.

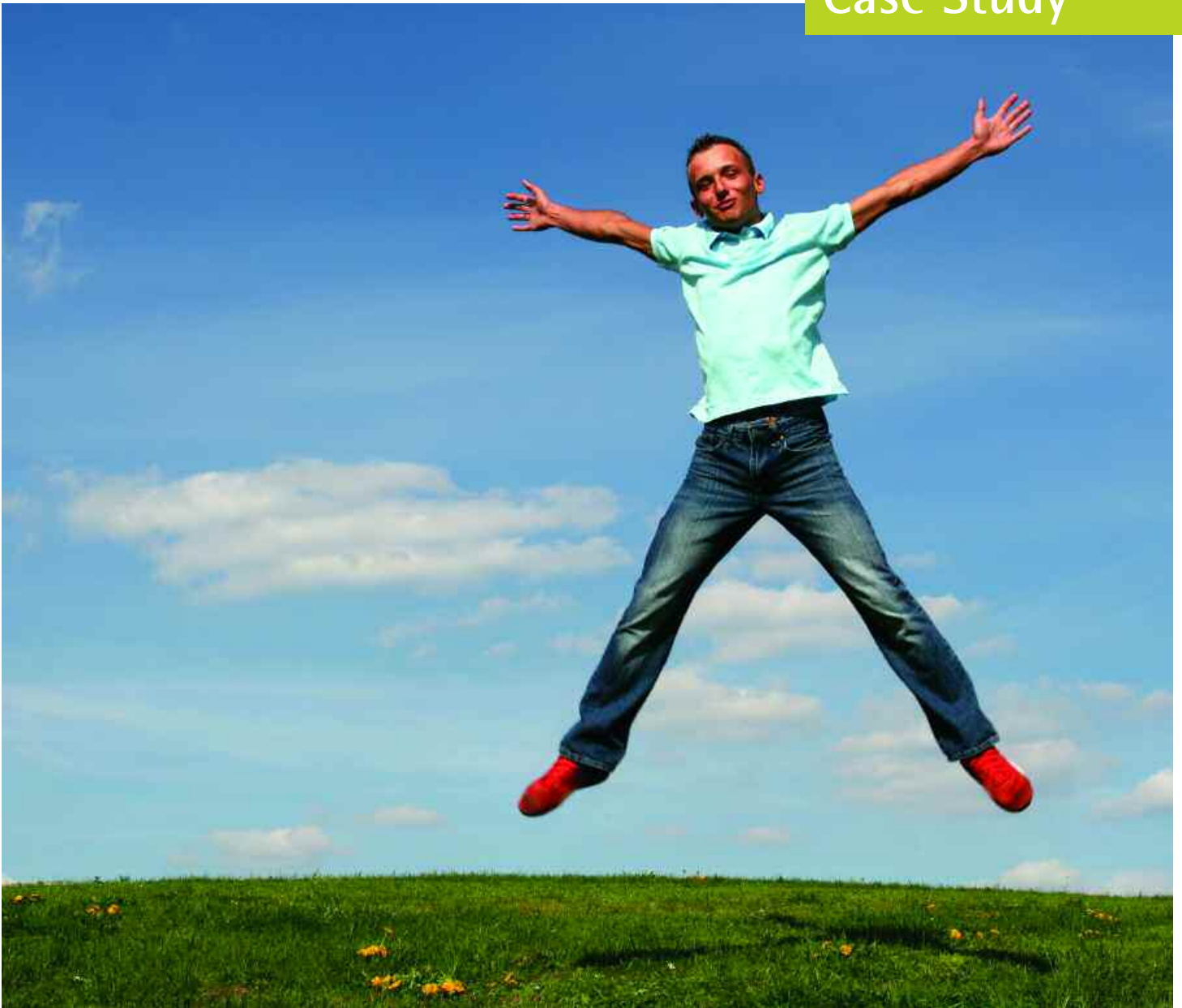
Valuations • Finance • Negotiation  
• Finding the right deal

It also examines the personal motivations, or the Big Adventure behind deals; the why.

### Timing • What next • Why

There are other books on the technicalities, but they ignore the fundamentally important aspect that delivering a business transaction is a means to an end. The why, the human story and motivations behind the deal are as important. Buying, or starting a business and then selling it should make you financially wealthy but it should also deliver life experience and time freedom. This book gives you both the technical and the personal aspects behind transactions.

To pre-order your copy call  
01737 240888



# The Big Adventure

## Leaping off the Conveyor Belt

### Apex Belting, Conveyor Belting Manufacturer, Southern England

Apex Belting is a highly successful business involved in the design, fabrication and installation of a range of belts for the conveyor and elevator industries. The majority of their sales are made to original equipment manufacturers and trade customers.

The vendor, Bryn Leaker, had built the business up, over many years, to a strong market position and was seeking to enjoy his retirement .

Richard Hawes of Avondale advised the vendor throughout the transaction. The purchaser was carefully selected. The fact that he did not have any trade experience was negated by the day to day operations,

including manufacturing and sales, having already been delegated to a non-shareholding director who wished to stay with the business. The deal was successfully completed within seven months and Bryn achieved the capital return he was seeking.

"I was absolutely delighted with the way that Richard and Avondale handled the

entire transaction. The process was managed in a good and professional manner. I have already recommended Avondale to several of my contacts and would not hesitate to do so in the future. I am already enjoying my retirement and doing things that I would never previously have had time to." *Bryn Leaker*



# Business Listings

Below are some examples of some of the Business for Sale and Acquisitions Wanted. Visit our website [www.avondale-group.co.uk](http://www.avondale-group.co.uk) for a full listing

## Businesses For Sale

### Niche Shopfitting & Construction Ref: 13198

Outstanding reputation. Blue Chip & independent client base. Significant opportunities for growth. 2006 Turnover £3.19M, Gross Profit £1.12M, Net Profit £850K

### Broadcast Systems Integrator Ref: 7190

Design, engineering & installation. Blue chip client accounts. International & domestic. Significant potential for growth. Experienced senior management retainable. History of innovation & product development.

### AV Supplier/Systems Integrator Ref: 3264

UK - Supplying Niche sector - Strong client relationships - Premier supply base - Further growth potential - Easily understood business - Turnover £6M, Net Profit £300K+

### Engineering Design Company Ref 3506

Established reputation in Niche Market. Retainable senior management team. Design & manufacture of testing equipment. Projected 2007 T/o £3m. Over £5m confirmed orders. Established over 30 years. Service & maintenance contracts generating sales of £1 million p.a. Widespread customer base. 3 branch operation with retainable management. T/o £3.1 million, GP 34%,

### Nonferrous Extrusion Machines Manuf Ref 3252

World leader. Unique links with China. Management retainable. History of innovation & product development. Forecast T/o £4M, GP of 34% & NP of £400K.

### Niche Food Manufacturer Ref 3265

Well established brand leader, quality reputation. BRC accreditation. Well located for staff, distribution and further expansion Turnover to year-end 2006 of £3M. Proj £4m for next year. Net profits of £800K+.

### International Chemical Distributor Ref 3345

Established client base. European subsidiary office. Own brand products with registered trademark - Projected T/o 2006 of £4.5M, GP of £380,000 and NP of £160,000

### Commerical Printers Ref 13180

Loyal customer base. Blue chip accounts. Excellent potential for growth. Skilled, experienced and loyal staff. 2005 forecast T/o of £1.9M.

### Food Wholesale & Distribution Ref 6005

Turnover c£5.8m. Wholesale & distribution to food service sector. Extensive, long-standing customer base. Broad portfolio of products including own brand items. Specialise in Asian foodstuffs. Significant growth potential

### Data Imaging Ref 7192

National top quartile data scanning bureau. Senior management retainable. T/o of £1.1M & GP of 58%. Exceptional modern plant facility enabling high productivity.

### Travel Agency Ref 4016

Multi branch travel agency operating in Scotland. Loyal customer base - Secure management team and staff in each branch - T/o of £11.5M with a GP of £560k in 2005.

### Global Brand I.T. Software Ref 7189

Blue chip client accounts. Considerable international Intellectual Property. History of innovation and product development. T/o £1M - £1.2M and GP 80%+

### Design, marketing & promotion Ref 3343

High profile in niche industry sector. Long established Blue chip clients. Senior management retainable. History of innovation & product development. T/o of £2.5M and GP of 25%. 10,000 sq ft premises available.

### Public Relations Agency Ref 7709

Outstanding track record and client base. T/o £1.3m, GP £950k and NP £280k. Recognised, award winning market leader. Circa 80% of fees generated by retained clients - Complimentary mix of B2B and B2C services

### Property Maintenance Ref 13201

Corgi Registered. Est. 23 years. Retainable staff. Annual Gas Service Contracts - Public & Private sector customers. Projected 2006 T/o of £1.2M @ GP of £768K, NP of £195K

### Recruitment Agency Ref 3255

Smart West End offices & profile. Extensive clientbase grown through reputation. T/o £10M+ Net Profit £1M +

### CCTV Security Ref 13111

Scope for growth. Excellent sales team engineers. Installers of CCTV & other security products. Numerous blue chip companies & local authorities - 2006 forecast T/o of £2.5 million, pre tax profit circa £300K +.

### Care Training Organisation Ref 4015

Reputable company with established client base - Specialists within the care sector - Experienced and retainable staff - Re-locatable throughout Scotland - Forecasted turnover of £314k and net profit of £122k based on current management figures.

### Nursing / Care Agency Ref 13202

2 Branches. Approx 200 Clients. Retainable staff. 130 Trained and Carers and Nursing staff. 2005 T/o £946,000, OP £290,000, Adjusted Net Profit £253,000

## Acquisitions Wanted

### Industrial/Service Sector Businesses Sought Ref ReIndserve

Strong Growth prospects - EBIT at least £500,000 ideally higher - MBI sought with management willing to stay in business - 60 per cent acquisition

### Pump maintenance/ service/ sales Ref: Uplift

in SW. England (incl S. Wales). Good maintenance contacts. Net £100k+ with unit

### Food Manufacture Ref Feast

in N. England, Midlands, Central England or S. England. To be run by existing management - Revenues £500k+ per annum

### Production Company / Live Events / Performance Improvement Ref 10137

in S. England or Midlands, Central England. In one or more of these sectors: - Production company, Production facility - Live Events company - Performance Improvement, Motivation, Skill development company

### Events Company Ref Occur

in England & Wales. Events, party planner, hospitality sales, event catering, corporate entertainment. Retainable staff. Premises not essential - T/o in excess of £350,000

### Computer Server Maintenance Ref Liaise

in UK. Operating in the supply of server maintenance (ideally HP, SUN, IBM) - Existing contracts in place (evergreen contracts acceptable) - Loss making or profit making - Strong sales & technology teams desirable

### Recruitment - Ref Horizon

Legal, Sales, permanent. Based in the North West - Ideally Manchester - Turnover of any size

### Medical Recruitment Ref Refresh

in SE. England. Large independent medical recruitment company is looking to acquire dentist, optician or other medical recruitment agencies - Profitable or non-profitable companies considered - Relocatable preferred - Knowledgeable employees

### CCTV / Access Equipment Ref Overview

in NW. England (incl N. Wales) or Midlands / Central England. Retainable staff - Minimum turnover £500,000

### Care Company Ref 13206

in NW. England (incl N. Wales) or Midlands / Central England. Mental Health - Domiciliary Care - Learning Disabilities - Physical Disabilities

# When is Enough Enough?

by Kevin Uphill, Managing Director of Avondale

**"If you can count your money, you don't have a billion dollars".** *J. Paul Getty*

Money will not always bring you happiness but it does give you choices and can make your life more comfortable. There are times in life when making money should be a priority. There is also a point in life where money should cease to be the main goal. Paul Getty's biography shows that he had a billion dollars but did not have the other types of wealth that generate happiness. The question therefore is, when is your financial wealth enough?

You started a business around a job you enjoyed and were good at. The job became the business. You made it a success by being passionate, enjoying getting the deal, the challenge of creation and thinking big. Success produces a mature business. This means you have probably stopped doing "the job". Now you are running the business, designing systems, dealing with personnel, financial and legal issues, handling red tape and day-to-day management. It seems the business is controlling you and you have a boss again, in the form of your customers, staff, accountants and the government. The challenge of creation has gone, but is it the right time for you to sell?

Assuming you enjoy your job, have your health, have fulfilled your non work aspirations, and believe that you can carry on growing the business, the answer will be no. Most businesses offer a good investment to their owners. Keep it, carry

on earning the income, and then sell in the future. This way you have, say, five more years earnings behind you and the capital value of a deal.

What if you have the wealth but no longer enjoy the "job", struggle with other types of wealth such as time, fulfilling your non-work aspirations and spending quality time with the family? Then it is time to look at selling your business.

Capital value can never be guaranteed, so banking now reduces the risk. A sale is also by far more tax effective than income. Capital can offset interest costs or generate returns elsewhere. It might make sense to sell.

Unless it is an exceptional offer, if you work on a purely financial basis, keeping the business is the answer. In reality, selling is not just about money.

Yes, Avondale can maximise your value, create a competitive environment to drive the price and deliver the best deal with the least cost by carefully managing the process. The net proceeds will be excellent. But will they be enough?

So when is enough enough? That is a question that only you can answer. You need to examine your current capital and future wealth alongside your current life and future wealth. Avondale can help you make that decision and assist you with in successfully achieving your goal.



## Avondale News

### Vendor joins team

Alan Peel recently sold Hockway Ltd, a specialist in equipment for the oil and gas industry through Avondale. He missed us so much, he has joined the Avondale team as an Exit Builder Consultant using his direct vendor, engineering and management consulting knowledge to help clients gain best advantage from transactions.

### Welcome to Nicola

Nicola Molton has joined Avondale as PA to the Bristol team, enabling them to dedicate more time to their clients.

### Twin Deals

Congratulations to Simon Grimley who celebrated the birth of his twin sons, Tobias and Lucas in the same month that he completed two business deals.

### Cool Move

The Avondale Chester team has relocated to the Chester Business Park, CH4 9QR.

The office is at Regus House. Simon Grimley, Chester manager said "This office provides us exceptional client facilities. We are holding an increasing number of client visits and completion meetings at our offices. The new move gives us more space, better boardroom facilities, essential client parking and at last air conditioning."

# To Succeed or not; that is the question

Congratulations you have a successful business, but now what? You have run it for 20 years and it has generated substantial income over the years. It is now time to take explore other opportunities that life brings, but how should you hand the business over? Trade sale? Family succession? Pass it on to the management?

In the past succession has, for many, been the logical choice. After all the family business is the Crown Jewel. This is the economic lifeblood and trade of the family. Interestingly enough however, family succession since the early 1980's has been a strongly declining trend.

In a recent survey conducted amongst attendees of M&A Brokers, Avondale's Perfect Deal conferences, out of 120 delegates, only 5 identified succession as a possibility, of these 3 expressed concern over the off spring's financial ability to take on the business. More interestingly 2 were concerned the next generation 'did not have what it takes.' DTI statistics also show a declining trend, aligned with a decrease in ownership cycle in general. In 1980 the average cycle was over 20 years and is now down below 15.

But why? There are a number of reasons mostly social-economic. These can be summed up as second generation disinterest, lack of affordability and longevity of exiting party.

## Second Generation Disinterest

Second generation disinterest has occurred for a lot of reasons. The fact that education now provides a broader perspective for the next generation than just running the business is just one reason. Is there also a human instinct to make your own mark which is more attainable than history has traditionally allowed? Do parents

discourage their off spring today in the hope they will find a better way? Has the pride in a trade parents once had disappeared? All these factors lead to disinterest. Of Avondale's 2006 conference attendees, who had possible succession prospects, the majority identified that their off spring were either professionals or artists. In Avondale's survey it was surprising how few offspring were also entrepreneurs like their parents.

Even more surprising is the number of times Avondale have acted for exiting vendors on a trade sale basis where the offspring have actually worked in the business but they have gone with the business to the buyer. Why and how do they from a pride aspect deal with this? Many of these have been highly competent and professional employees. They have however respected the economic strength a buyer brings and perhaps more telling their lack of entrepreneurial skills in running a business. Essentially today entrepreneurial skills are rarer but more vital than the ability to conduct the trade.

## Poor affordability

Secondly affordability now presents a problem. Many family ventures are quite sizable undertakings and generate strong profits for their owners. This means that on a trade sale basis they will generate high premiums. The value to a purchaser of fast acquisitive growth is strong and increasingly attractive. If the offspring had



an interest, how could they realistically expect to compete with a trade buyer with an engine in place today generating revenue for an acquisition. The same issue applies to many managers also eyeing the prospect of an MBO.

## Longevity

This affordability issue is made worse by the longevity expectations of the exiting Partner. Instead of the prospect of a few years in retirement, many now face the need to live on the wealth generated by the business over the next 20 plus years. This means they need the capital a trade sale generates. Handing it down or waiting for the proceeds over a long period (on a deferred payment without guarantees), or simply passing on the business and an inheritance just look less appealing to the exiting party. A lump sum and holiday home now that talks.

## Summary

There are social benefits to the family of passing a business on. Not least keeping the cash cow in the family and maintaining the trade with pride. Conversely there are many down sides and restrictions that succession brings. These restrictions seem today to out weigh the appeal. To succeed or not? Not, is the market's conclusion if a trade sale is viable!

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