

The MGroup Corporate Finance LLP

Management Buy-Ins



THE MGROUP

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About us

The MGroup Corporate Finance LLP is an independent corporate finance team, partner to The MGroup – a leading group of chartered certified accountants and business advisers.

We offer specialist corporate finance advice to shareholders and management of companies and private acquirers, concerning:

Management
Buy-Ins

Management
Buy-Outs

Exit Strategies
and Company
Sales

Corporation
Acquisitions

Development
and Replacement
Capital

Recapitalisation
Equity Release
(Cash-Out)

What is a Management Buy-In and what are the benefits to me?

A Management Buy-In, or MBI, is where an individual or team buys a business that they are not currently working in.

Starting a new business, or buying an existing one, shouldn't be seen as an alternative to getting an employed role because you can't find a suitable job. You must want to run your own business and have the drive and ambition to make it succeed.

When it comes to making a choice about whether to start a new business or buy an existing one, if you get it right, there can be many reasons why buying an existing business could make good business sense for you.

Advantages of an MBI:

- The business will already be up and running.
- Funding sources will be more readily available as the business will have a proven track record.
- Demand for a particular product or service will have been identified.
- You will have access to existing customers so you are already guaranteed a reliable income.
- A good reputation will have been established to build and capitalise on.
- The business will have existing employees with experience you can draw upon and learn from.
- Risk is minimised as obstacles and challenges will have been identified and overcome.

How do I find a company to buy?

Having decided that you are keen to progress with an MBI, it is important to consider and develop a profile of the sort of business that you wish to acquire.

For example, look carefully at your motivations and what you ultimately want to achieve. You must be confident that if you take the business on, you can make it a success.

Key things to think about:

- Your **abilities** – can you realistically achieve what you set out to achieve?
- Your **capital** – how much money do you need and have to invest?
- Your **expectations** – how much must you earn and what should your capital growth be?
- Your **commitment** – are you prepared for all the hard work and money that you will need to put into the business to make it a success?
- Your **strengths** – what kind of business opportunity will give you the chance to put your skills and experience to good use?
- The **business sector** you're interested in – what do you already have experience in?
- **Location** – where do you want the business to be located?

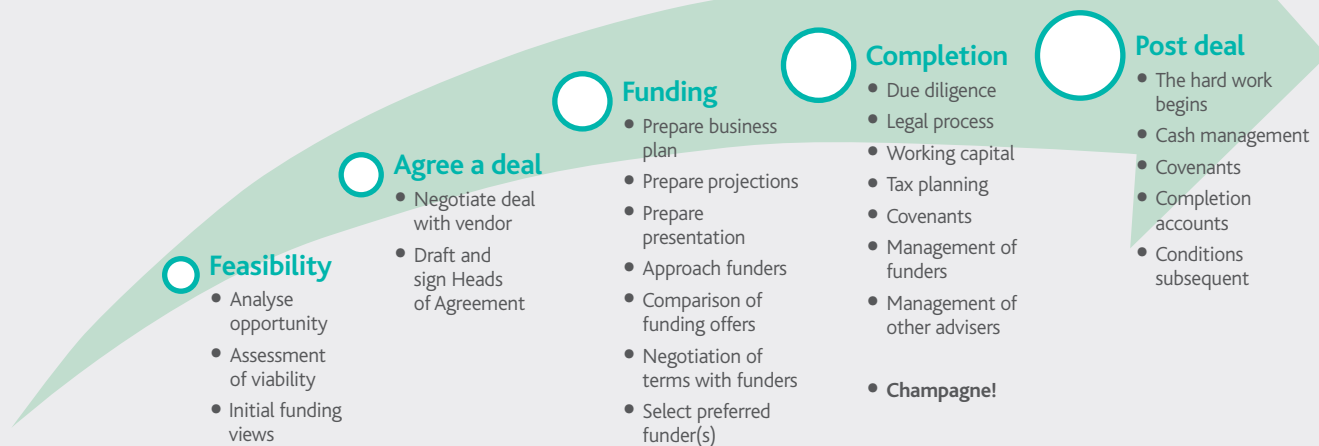
It is important to research and gather as much relevant information on the companies you are considering buying, including their products, services and markets.

Why do I need to appoint a Finance Adviser?

Research suggests that the most likely measure of a successful MBI is when you invest time and effort in a dedicated acquisition search exercise. Often, this can be a long and time consuming process, so appointing a Finance Adviser at the outset will help assist you with this research and reduce the time it takes to find a business that fits your acquisition criteria.

The MBI Process

Stages of the MBI process include:



When you have identified a suitable business to acquire, you will need to register your interest with the owners. A Finance Adviser will be able to help you identify who to approach so that you can target the key decision-makers promptly and effectively.

As part of the acquisition process, you must be able to demonstrate that you have the financial resources to buy the business. Your adviser will assist with this part of the process and be able to help you demonstrate your ability to be able to fund the transaction and help to determine the value of the business.

To be able to raise funding you will need to prepare a business plan. The business plan is primarily a sales document that should demonstrate your commitment to the MBI. Your adviser will give guidance and critically and constructively assess the business plan before it is finalised.

Due diligence has become an ever more important phase of a successful transaction. Not every deal requires a thorough investigation, and some elements can be carried out by the purchaser themselves. However, if external funding is required, then funders are more likely to want more of the work carried out by external advisers to give them a third party view.

An adviser – whilst motivated to complete a successful transaction for their client – will be able to bring a degree of calmness to tough negotiations and allows for clarity of thought and a level-headed approach.

An adviser should be appointed at the start of the process and will be fully involved in all aspects of the transaction until completion. They will work closely with you throughout the whole process, so it is vital to appoint an adviser you can trust, and who will provide the necessary experience and support.

Key areas where a Finance Adviser will be involved include:

- Finding and approaching targets.
- Assessing the feasibility of the acquisition.
- Valuing the business.

- Introducing appropriate funders.
- Deciding on the nature of the approach and negotiating the best deal with the vendor.
- Negotiating the funding package.
- Introducing the management team to other advisers such as lawyers and tax advisers etc.
- Monitoring deal costs.
- Project managing the entire transaction through to completion.

Why use The MGroup?

The MGroup Corporate Finance LLP is an independent corporate finance team, who specialise and focus exclusively on small and mid-market transactions. With many years' experience in achieving successful MBI sales, we are confident that with our experience and expertise, we can ensure a smooth and positive outcome for your MBI.

By appointing The MGroup Corporate Finance LLP as your Finance Advisers, we can offer:

- An excellent track record in acquiring and selling businesses.
- A professional and personal approach to the MBI process.
- An entrepreneurial outlook with only your best interests at heart.
- Regular and direct contact with a large pool of funders.
- Experience of creative deal structures that are guaranteed results.
- Well planned and executed deals that deliver results.
- Exceptional drive and determination for the best deals for our clients.
- Commitment to client satisfaction, standards and performance.
- Specialists in MBIs with no conflict of interests.

CASE STUDY

Reseller and distributor of software products

The vendor for this business wanted an exit plan and to benefit from Entrepreneurs Relief (10% tax), and was keen to stay involved part-time but needed to release some cash. A trade sale would have meant he had no control or influence in the business.

Solution:

- An MBI was introduced with relevant sector and managerial experience.
- The MBI assumed the MD role and the vendor stayed involved part-time.
- The deal was structured to allow the vendor to remove surplus cash and receive a further 60% of the consideration price in cash.
- The vendor retains a 30% stake in the new company.

Accountancy
Business Development
Registered Auditors
Computer Solutions
Taxation
Corporate Finance
Software Development
Financial Services



**Darren Green
Partner**

Specialist areas:
IT, Technology,
Manufacturing
and Start-Ups



**Penny Casterton
Partner**

Specialist areas:
Forensic Accounting,
Property and Private
Client



**Mark Crossfield
Partner**

Specialist areas:
Corporate Finance,
including Acquisitions,
Sales and Fund-Raising



**Geoff Lane
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Specialist areas:
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