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GROUP

How can I best prepare my firm for a management buyout (MBO)?

ExitPathway

Selling your business is a significant decision, and it's crucial to get it right. That's where Bankhall comes in. Unlike traditional mergers and acquisition (M&A) brokers, we work closely with you to help prepare your business for sale.

We thoroughly examine everything from data quality to regulatory and compliance standards. By identifying and fixing potential issues before a buyer sees them, we help protect and often increase your sale value. Our expertise in risk and regulation also streamlines the due diligence process, reducing the chance of delays or last-minute deal breakers. If there's untapped growth potential in your business, we'll highlight it, giving you the chance to boost your valuation before going to market.

We don't stop there. We use our extensive Sesame Bankhall Group network to help find the right buyer who aligns with your goals, values, and culture. When it's time to negotiate, we're with you every step of the way, from initial discussions to exchange and completion.

With trusted consultancy, practical tools, and end-to-end support, we're your proactive partner for life, whether you're ready to sell now or preparing for the future.

How can I best prepare my firm for a management buyout (MBO)?

Preparing your firm for a MBO requires meticulous planning and strategic thinking to ensure a smooth and profitable transition. It's also important that the acquiring staff have the necessary experience to be able to run the business. Here's a step-by-step guide to help you navigate this complex process:

1. Internal assessment and preparation

- **Evaluate financial health:** Conduct a thorough evaluation of your firm's financial health. This includes reviewing balance sheets, income statements, cash flow statements, and other financial records. You should also remove unnecessary costs and identify any non-recurring costs. The team buying out the company will also need to ensure that they have the relevant finance in place.
- **Organise documentation:** Ensure that all financial documents, legal contracts, intellectual property records, and employee agreements are up-to-date and easily accessible.
- **Advice risk:** Have details of all annual reviews including any gaps. You should have information to hand for high-risk business (structured products, defined benefit pension transfers, film partnerships, venture capital trusts and enterprise investment schemes) including any review work undertaken. You should also include a copy of your service agreement, complaints register, details of any breaches, copies of compliance audits, regulatory returns & professional indemnity (PI) cover and application.
- **Identify key assets and liabilities:** Clearly identify your firm's key assets and liabilities. This includes tangible assets like office equipment and property, details of your ongoing income breaking down buy demographics such as customer age, number of customers and households, assets under management (AUM), investment platforms including charges and details of any centralised investment proposition (CIP).
- **Operational:** Put together a list of all your operational costs, have copies of the contracts available and details around cancellation costs and notice periods.

2. Enhance operational efficiency

- **Streamline operations:** Look for opportunities to streamline operations and improve efficiency. This may involve adopting new technologies, optimising workflows, or reducing unnecessary expenses.
- **Strengthen management team:** Ensure your management team is strong and capable of leading the company through the transition. This may involve hiring new talent, appointing Non-Executive Directors or providing additional training to existing staff.
- **Improve customer relations:** Strengthen relationships with your customers to ensure they remain loyal during the transition.

3. Legal and regulatory compliance

- **Review legal obligations:** Review all legal obligations and ensure your firm is compliant with all relevant laws and regulations. This includes industry-specific regulations, employment laws, and tax requirements.
- **Regulatory filings:** Ensure all regulatory filings are up-to-date and accurate. This can help prevent any legal issues that could arise during the buyout process.
- **Legal counsel:** Engage legal counsel with significant experience in financial services to assist with the preparation and review of all legal documents related to the buyout.

4. Transition planning

- **Develop a transition plan with the acquirer:** Create a detailed transition plan that outlines the steps needed to transfer ownership to the new special purpose vehicle (SPV) which is usually established to receive funding to support the purchase.
- **Employee communication:** Communication with staff needs to be completed at the right time. Work with the MBO team closely on the messaging providing reassurance. Timing is crucial, a breakdown in communication will lead to staff feeling unsettled and potentially leaving the business taking value with them.
- **Customer communication:** Inform clients about the buyout and reassure them of continued service quality and support. Again, this is a crucial step and much consideration around the delivery of this messaging must be taken.

5. Post-buyout integration

- **Monitor the transition:** Monitor the post-buyout integration process to ensure a smooth transition. Address any issues that arise promptly to minimise disruptions.
- **Measure success:** Establish key performance indicators (KPIs) to measure the success of the buyout and integration process.

Careful preparation and attention to detail will help ensure a successful MBO that benefits all parties involved.

This guidance note is provided for informational purposes only and does not constitute legal advice. While every effort has been made to ensure the accuracy of the information herein, we do not accept any liability for any errors or omissions. You are advised to seek professional legal advice if you require specific guidance.