



**SESAME
BANKHALL
GROUP.**

**What is a share
purchase and how does
the process work?**

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.

What is a share purchase and how does the process work?

A share purchase is the acquisition of a company's shares, which represent ownership in the company. This can be done through a share purchase agreement (SPA), a legal document that outlines the terms and conditions of the sale.

A share purchase is a tax efficient way to sell your business, it also means the acquirer is buying the intellectual property, staff, equipment and risk.

These deals can be structured in several different ways, some are a straight-forward consideration for your business paid over a few years, others can include growth and give you a share in the upside in a multitude of ways.

Key elements of a SPA:

- **Purchase price (also known as enterprise value):** The agreed amount to be paid for the shares.
- **Number of shares:** how many shares are being bought.
- **Representations and warranties:** statements of fact made by the seller about the company, such as its financial condition and legal standing.
- **Conditions precedent:** conditions that must be met before the sale can be completed, such as regulatory approvals.
- **Indemnities:** provisions that protect the buyer from certain liabilities or losses.
- **Warrants:** a promise about the present or future condition of something. If a warranty is breached, the affected party can typically seek remedies such as damages.
- **Covenants:** a promise or agreement to do or not do something in the future. Covenants can be either positive (requiring action) or negative (restricting action). For instance, a non-compete clause in an employment contract, where an employee agrees not to work for competitors for a certain period.
- **Closing provisions:** details about the finalisation of the transaction, including the transfer of shares and payment & change in control notification sent to Financial Conduct Authority (FCA).

Advantages of a SPA:

- **Ownership control:** buying shares can give the purchaser control over the company, depending on the number of shares acquired.
- **Profit potential:** shareholders can benefit from the company's profits through dividends and capital gains.

Considerations when looking at a SPA:

- **Due diligence:** thorough investigation of the company's financial health, legal status, compliance record and operational performance is crucial before purchasing shares.
- **Legal and regulatory compliance:** ensuring the transaction complies with relevant laws and regulations.

How does the process work?

Due diligence

- **Financial review:** conduct a thorough financial review of the company. This includes examining financial statements, revenue streams, profit margins, and cash flow.
- **Legal due diligence:** review all legal aspects, such as contracts, intellectual property rights, compliance with regulations, and any ongoing or potential litigation.
- **Compliance due diligence:** ensuring the firm has robust systems and controls, file checks, service agreement, assessment of any high-risk business, annual review records, review of regulatory returns and professional indemnity (PI) policy.
- **Operational assessment:** evaluate the company's operational efficiency, including its management team, key employees, and business processes.
- **Market position:** assess the company's position within the industry, its competitive landscape, and future growth prospects.

Negotiation and Agreement

- **Heads of terms (HOTs):** a HOT document outlines the key terms of the transaction, including the purchase price, payment terms, due diligence process, and exclusivity period.
- **Share purchase agreement (SPA):** negotiate and finalize the share purchase agreement, which legally binds both parties to the transaction. This document should cover aspects like representations, warranties, covenants, and conditions for closing.

Regulatory and compliance

- **Regulatory approval:** obtain all necessary regulatory approvals required for the share purchase, and submission of the change in control to the regulator (depending on the level of initial stake in the business).
- **Compliance check:** ensure that the transaction and the post-acquisition structure comply with all relevant laws and regulatory requirements.

Integration planning and execution

- **Integration strategy:** the buyer will develop a comprehensive integration strategy to integrate the acquired shares and the associated business into their company.
- **Post-acquisition review:** the acquirer will monitor the post-acquisition performance, address any integration challenges, and make necessary adjustments to achieve the expected synergies. It is important to be clear on what this means for your customers and staff and how this impacts any deferred consideration.

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 contained 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.