

fidelis

2019

MAGIC NUMBER

What's Yours?

WHAT ARE YOU GOING TO DO THE DAY AFTER YOUR DEAL COMPLETES?

Do you have a magic number?

The golden figure.

The one number that will change your life?

Because if you're planning to sell a business, you'll need to be crystal clear about that figure and what it will do for you. How is it going to change your life? What are you going to do the day after the sale completes? What number gets you to your goal?

We meet business owners from both sides of the fence. Some know exactly what they want, while others have a sketchy notion around retiring sometime. Possibly. Depending on the sale. Maybe not immediately after though, but definitely within a year. Maybe two ...

If you don't have absolute clarity on what you want, a burning desire to do the deal, you will at some stage get deal fatigue which could jeopardise the entire process.

Deal Fatigue

Deal fatigue can happen at any stage during a deal negotiation when one or both parties begin to feel frustrated, irritated and exhausted, and it can cause everyone involved to lose hope of reaching an agreement. It can be so destructive that we've walked away from deals where we sense that the business owner isn't sufficiently motivated to sell.

Motivation comes in many guises. We met a business owner recently who wanted to move to New Zealand, and she had a clear plan for what she was intending to do with her cash. She had a magic number, and working with her was a breeze because we were all focused on that clear and defined goal. For others, the motivation can be less tangible but just as strong. Spending more time with the family, supporting a sick partner, pursuing a dream – whatever the reason it must be defined, otherwise there's a risk that somewhere in along the road you'll lose sight of why you've

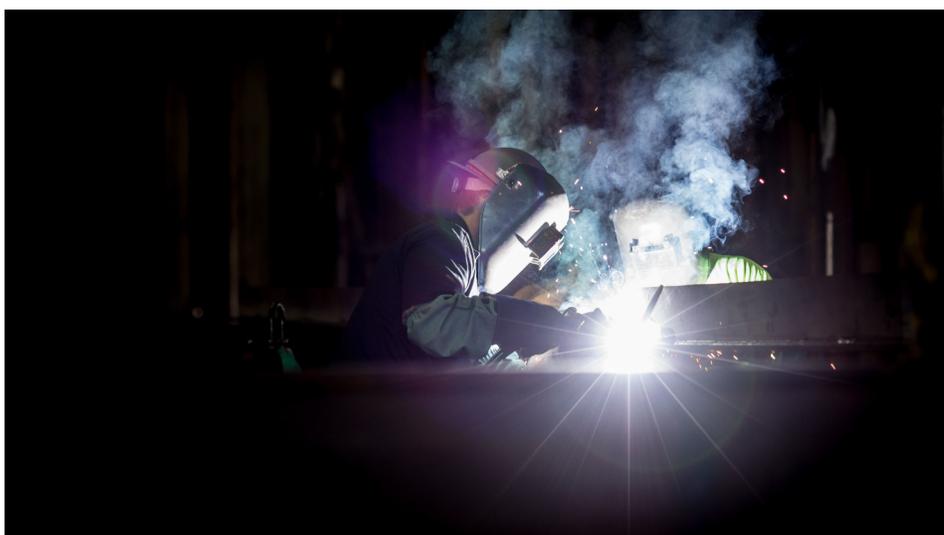
set off on the journey.

There's another element of exiting a business that is often overlooked. When do you want your money? It might seem like the answer is obvious; on completion, of course. But a significant number of UK acquisitions are structured around a deferred payment scheme or 'earn out'.

With deferred payments, there may be a partial payment on completion followed by a fixed amount which will be paid over an agreed period. Earn outs are slightly different. They're linked directly to the future performance of the acquired business and usually involve the business owner remaining at the business in some capacity.

For a buyer, earn outs are desirable and they demonstrate that the seller is confident with their figures. Crucially, the business is protected which is a vital factor in any transaction. If the business doesn't achieve the projected revenue any further payments may be reduced or cease altogether. Conversely, if the business out-performs its targets the business owner reaps the rewards. With the buyer and seller working together in this way the company enters a new phase of enhancement and growth. At Fidelis, this is the stage where we introduce the Fidelis Business System, our blueprint of excellence that we apply to every business we buy.

WHEN DO YOU WANT YOUR MONEY?



The Importance of Trust

It is vital for both parties that this relationship is built on a solid base of honesty and trust and it's one of the reasons why a business owner should always find a business buyer whose values match their own. Quite often this isn't a business broker and private buyers offer greater flexibility without the high upfront fees a broker will demand, along with large fees often charged on the completion of the deal.

It also makes sense to ease the business owner out slowly rather than have them drive off with the cash, never to be seen again. A sudden exit can be a shock to both the owner and to the company and can be especially unsettling for its employees.

But there's one instance where an earn out can be an invaluable tool, and that's five years before you want to sell.

Or maybe three?

You'll achieve a higher valuation for your business if it can demonstrate growth potential, loyal customers and suppliers and excellent operational systems. Fact. But if you've reached a plateau where all of that feels like too much of a hard slog and you just want out, it might seem





It is vital for both parties that this relationship is built on a solid base of honesty and trust and it's one of the reasons why a business owner should always find a business buyer whose values match their own.

THERE IS AN ALTERNATIVE

impossible to achieve. Your magic number is too dim and distant.

There is an alternative, and one which means you might get more money than you ever could doing it on your own. Working with a team of experts, dedicated to enhancing and growing your business, you could increase its potential value but also have relief from the stress and burden of having to drive it all yourself. Together you would develop your management team and equip them with the knowledge and skills to run the company once your exit is complete, nurturing and protecting the legacy you've created. At Fidelis we term this an equity release programme, a glide path to exit which allows the business owner to look before leaping

We also look closely at the values of the business owner, and from those values we're able to identify the end goal.

The magic number.

Because if your highest value is money, then you're just going to want the highest possible sum. But if you don't know why that's important to you and what fits into your values, then you're a bit lost at sea.

You may be reading this and thinking that you're not in a position to sell your business at the moment. But, wouldn't it be good to know that you have your exit planned and you can work towards it with a team who understands your goals, respects your values and has the best interest of the company at heart?

Fidelis brings together a team of experienced business owners and entrepreneurs who understand in depth what it takes to own and operate successful businesses.

And we know how hard it can be.

We operate in and understand the world of the SMEs and we're not "corporate executives" just crunching spreadsheets. We're hands-on, sleeves up involved in our businesses because we care passionately about their development and growth.

You'll find us plain speaking, but with sophisticated knowledge, understanding and experience in working with other business owners who share our core values.



So, if you think you might exit your business in the future, why not have a look at the 'Value My Business' tool on our website? Perhaps now is the time to start thinking about what life will look like when you retire, to plan for the next phase and begin constructing your idea of freedom.

Time to find your magic number.

At Fidelis, we are always pleased to hear from business owners who are looking to sell or exit their business. Wherever you are in the process, for a confidential, no obligation discussion please get in touch.

Contact details:

Telephone: 0161 410 7070

Email: theteam@thefidelisgroup.co.uk

Website: www.thefidelisgroup.co.uk

LinkedIn: <https://www.linkedin.com/company/fidelis-group-limited>

Lorem ipsum dolor sit amet, consetetur sadipscing elitr, sed diam nonumy eirmod tempor invidunt ut labore et dolore magna aliquyam erat, sed diam voluptua. At vero eos et accusam et justo duo dolores et ea rebum. Stet clita

