

MBO's and MBI's

The recent volatility caused by the recession has focused the minds of private company owners on the price they may be willing to accept when selling their business.

This change in sentiment provides an excellent opportunity for existing management of the business to take part in a Management Buy-Out.

Typically a management buy in team consists of motivated, individuals whose rationale for acquiring the business is to build and develop its value based upon its established track record and a basic infrastructure, client base and workforce. They grow the business they acquire primarily to increase its capital value which they plan to benefit from the sale or flotation in three to five years time.

It is common for funders to support these business acquisitions through flexible debt products, which enables acquirers to purchase controlling equity stake in substantial businesses worth several million pounds without them having the cash resources to commit substantial equity to the business.

Those that want to own a business don't need substantial cash resources, they just need to be able to capitalise on the opportunity but ideally have the following qualities:

- Industry knowledge - while not essential to identify the potential target some of the best deals are from buying a business that are known well by the acquirer. This is because the purchaser will know where the skeletons are and where improvements can be made.
- Investment - Typically but not essentially it would be sensible to invest £50-£100,000 in shares and loans to the business. This is only a rule of thumb, but in practical terms this small commitment when compared to the asset of several million pounds being acquired.

We are able to assist in not only negotiating the transaction but providing the funding for acquisition, which should ensure the MBO team achieve a significant controlling equity stake in their business with minimal dilution if any to their shareholding.

So if you are considering these types of deals and believe you could require some assistance please give us a call for a confidential initial discussion.

Key people

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Enquiry

- [If you would like us to contact you please complete our enquiry form](#)