

IS YOUR BUSINESS FIT FOR SALE?

by Colin Rodrigues, Corporate Partner

How do you know your business is fit for sale? The real answer to this question is that you will never know until you undertake a sales process, find a purchaser and sign a binding contract.

There are many considerations that can affect the willingness of a purchaser to consider acquiring your business and to match your price expectation.

Business

With any business, there has to be a match between the purchaser and seller and there needs to be synergies between the two in relation to key factors including products, management team, location, target market to name but a few.

In the current economic climate, most acquisitions are structured to “buy-in” turnover and production rather than businesses growing organically, since in turbulent economic times, growth is slow and difficult.

Price

The value of any business is not based on current profitability or models denoting profitability but instead potential growth in profitability which a purchaser can exploit to achieve profits over and above that of the existing business whether by reasons of economies of scale, routes to market or such like.

Factors affecting price include:-

- Credibility of the management team is key; without a strong management team within the business, the purchaser may struggle to continue the success of the business especially if the seller is exiting the business.
- Financial Information produced by the business is important to give a purchaser confidence with regards to the legitimacy of both current and historic performance. This information will also form the basis for projection of future cash flows which are vital to generating future profit and will directly influence price. Having a good accountant behind you helps to strengthen this standing.
- Governance of the business has to be capable of adjustment to the methods of business operated by a purchaser. A purchaser may be a larger organisation than the seller and benefit from better defined internal and external systems and procedures which your business will have to adopt if it is to continue to succeed.



Risk

Having started the process of securing a purchaser, time becomes risk. You need to ensure that you have the shortest time between the date when heads of terms are agreed to completion of the sale of your business. External factors can quickly affect any business sale and you need to ensure you are not subject to these risks by controlling the timetable. External factors can include changes to the client base, the purchaser, the product, the nation at large or the global economy.

These external factors will be out of your control and to protect your position in these uncertain economic times you need to have a pro-active and commercial legal/accountancy team capable of delivering the deal in a timely fashion and of adopting a holistic approach throughout.

If you would like to discuss any of the above further please contact Colin Rodrigues, at crodrigues@hawkinshatton.co.uk or on 01384 216840.

Upcoming Events

Seminar to ensure your business is fit for sale, in conjunction with HSBC on **18th September**

HSBC, North West Midlands Area Office, 3 Trinity Court, Broadlands, Wolverhampton WV10 6UH.

BLACK COUNTRY FOUNDRY SET FOR BRIGHT FUTURE FOLLOWING SALE

Truscanian Foundries, the Black Country based metal castings business, is looking forward to a bright future following its sale to W Lucy & Co.

The company, which was founded in 1982, will continue to trade from its Oldbury site on St Martins Industrial Estate with the existing management team remaining in place.

We acted as lead advisers to the principle shareholders of Truscanian Foundries, Graham Shore and John Harris, working alongside Paul Cutter from David Cutter & Co, the Halesowen based Chartered Accountants.

W Lucy's existing iron foundry business – Sandawana Casting Limited – is based in Oxford and the acquisition of Truscanian, a specialist aluminium foundry, will complement the company's existing operations.

Truscanian supply a range of castings for various engineering sectors, specialising in heat exchanges, electrical switchgear and similar products.

Colin Rodrigues, our corporate partner, said: “The new owners intend to further develop the business at the Oldbury site and with increased backing in terms of size, resources and financial strength, customers and staff can be confident about the future.”

Graham Shore, director at Truscanian Foundries, said: “Hawkins Hatton led us through the arduous process of selling the company. We were given a fixed price for the work involved and throughout benefitted from a great deal of time, advice and assistance in bringing the sale to a successful completion.



Left to right, Graham Shore, Truscanian Foundries, Victoria Pearson, Hawkins Hatton, John Harris, Truscanian Foundries and Paul Cutter, David Cutter & Co

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HAWKINS HATTON HOST SECOND ENTREPRENEURS' DINNER



More than ninety business leaders from across the West Midlands attended our second annual Entrepreneurs' Dinner at Weston Park in Staffordshire.



It was the second dinner we organised following the resounding success of last year's inaugural event.

The entrepreneurs had an opportunity to network, relax and reflect on their business achievements, whilst discussing some of the challenges they face in the future.

Colin Rodrigues, our corporate partner, said:

"It was an opportunity for us to bring together some of our clients who were able to mix with their peers and discuss common issues, including of course some of the challenges they face during the current economic climate.

"As a corporate law firm we never lose sight of the fact that we always have to add value to our clients' commercial interests and this event was also designed to help create new business opportunities amongst like-minded business leaders.

We were delighted with the feedback and plan to continue it as an annual event".

