



HOW TO ACHIEVE A SUCCESSFUL BUSINESS EXIT & SUCCESSION

A TC GROUP GUIDE



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HOW TO ACHIEVE A SUCCESSFUL BUSINESS EXIT & SUCCESSION

After years of hard work building your business, the idea of handing over the reins can feel pretty overwhelming – and emotional too. Whether you're thinking about selling, passing it on to family, or stepping into retirement, it's important to plan ahead.

You'll need to think about the potential challenges and how to shape a business and culture that can thrive without you at the helm.

At some point, every business owner thinks about stepping away from the day-to-day. You might decide to sell to a third party, arrange a management buyout (MBO) or hand everything over to family members. Irrespective of the route, and whether the change is planned or comes unexpectedly, the transition needs to be handled with care, not just for your sake, but for your employees, customers and suppliers too.

Succession planning isn't just about an ownership change. It's about setting your business up for its next phase of growth and putting a strong foundation in place for whatever comes next.

In this guide, we'll walk you through the pros and cons of different exit options and share practical tips to help you plan a smooth and successful business succession.

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NOT A ONE-OFF EXERCISE

Even if stepping away from the business is still a few years down the line, it's important to run things today with your long-term goal in mind. That means getting the structure right, making sure the systems, processes and finances are in good shape, building a strong senior team who you can trust to make the right decisions when you are not in the room, and crucially, avoiding a setup where everything depends on you.

Thinking ahead to your eventual exit shouldn't be a one-off task you tackle at the last minute. It needs to be a regular part of your planning process.

LETTING GO

If you're already working 'on' the business rather than 'in it', and you've built a strong leadership team around you, you already have a head start. Running a business that doesn't rely on its owner to function is far more likely to succeed in the long term and it's also more attractive to buyers or successors.

Of course, letting go is easier said than done. When something's been such a big part of your life, it's completely normal to feel a mix of emotions. It's not always clear what exit options are available, and that's why so many business owners put off succession planning until it's almost too late.

But by starting early, you're giving yourself time and space to make confident decisions and ensure your business is ready to stand on its own two feet when the time comes.

YOUR SUCCESSOR

If you haven't identified a successor yet, perhaps now's the time.

Whether you promote from within or hire externally, finding the right person (or team) to support your transition's essential. It allows your role to evolve gradually as you prepare to step away from the business.

If your successor's a family member, planning early gives them the chance to gain valuable experience elsewhere. Emotions and relationships can complicate this type of succession, so getting an objective view can help you step back and make sure it's the right move.

THINGS TO THINK ABOUT:

- Could you transition yourself from MD to Chairman, staying involved now, with the option to become a non-exec in time?
- Are you mentally prepared for the changes, especially how they'll affect team dynamics?
- Can you step back from the day-to-day and focus more on the bigger picture?
- Have you built a strong team around you and your successor to keep the business moving forward?
- Try taking a break, like a proper holiday, and see how the team handles it. Reflect on whether the business survives or thrives without you, then work on any improvements.



PEOPLE

People are your greatest asset, especially during a business transition.

Having the right people in key roles, and keeping them motivated, is essential. But with a shortage of skilled talent and experienced managers, succession can be challenging.

Promoting from within is often the best route. If that's not possible, be clear about the kind of people you need to 'plug the gaps'.

Consider:

- Which roles need to be filled
- What skills and experience are required
- How much industry or technical knowledge is needed
- Whether they can work well with you during the transition
- The impact on the wider management team
- Whether they can foster innovation, drive growth and build a positive culture

Change brings uncertainty, so managing it well and keeping things running smoothly is key to making sure it's business as usual.

INVESTMENT & GROWTH

It's far better to keep investing as you approach transition rather than stand still. Though that's easier said than done, especially in tough economic times.

Don't delay big projects that add long-term value to the business, even if you're planning to exit. It might be tempting to hold off spending before sale or buyout, but these investments often make your business more attractive to external buyers.

If your business is too small, your management team isn't strong enough, or you lack the infrastructure for an MBO, then succession may also be challenging.

Ironically, one solution might be to acquire another business.

We often find that acquisitions can give you more scale, make you more efficient, strengthen your management team, and make your business more appealing to buyers. This gives you more options and a better chance of retiring successfully.

We often say in many cases, it's better to 'acquire to retire'.

TIMING

Traditionally, we'd recommend business owners plan their succession at least 2 years in advance, ideally 3 to 4 years.

But increasingly, we're helping owners think about growth, business strategy, exit and succession as an ongoing part of running their business. Good planning includes an 'evolution plan'. One that doesn't treat the owner's exit as the final stage, but instead looks at the next phase post-exit and into the next generation.

FAMILY SUCCESSION

Passing your business to family can be a great way to secure its future. But deciding if family succession's right for you and the business can be difficult and emotive.

Start by having honest conversations with your family members about their interest and readiness to take on the business. Then, ask yourself some tough questions:

- Do you and your family share the same values and vision for the business's future?
- What's your backup plan if they don't want to take on the business?
- Do they have the skills needed to run the business?
- Is one family member better suited to lead than others?
- Are there skill gaps you can address before you exit?
- Are family members truly passionate and motivated to carry the business forward?
- Do you still have a role to play in the short or medium term?

Family succession often works best when there's one clear leader with both the ability and desire to take over. Complicated ownership and shareholding, i.e., passing ownership equally to all children can often be a recipe for disaster. It can weaken the business and leave a family at loggerheads.

Don't force succession on anyone who isn't ready or willing. Be honest with yourself and your family, and consider outside help to ensure your judgement isn't clouded and your emotions don't get in the way.



MANAGEMENT BUYOUT (MBO)

A Management Buyout (MBO) can be an ideal solution for an exiting business owner.

Your senior management team know the company, share your values, and can continue your legacy. But an MBO can have its pitfalls. How do you know if it's right for you and your business's future?

Ask yourself:

- Are your senior managers already deeply involved in daily operations?
- Do they have the right mix of skills to grow the business?
- Can they handle both operations and finance?
- Are they prepared to navigate tough situations like sales dips or cashflow crunches?
- Do they have the vision and strategic ability to take the business forward?

6 BENEFITS OF AN MBO

An MBO can be an attractive succession option for exiting business owners because:

1 It ensures continuity of management.

2 Sensitive management information stays confidential, avoiding disclosure to outsiders.

3 Negotiating the business's value's often simpler.

4 The sale process tends to be faster.

5 You may keep more control and even retain a minority stake.

6 The chances of completing the deal successfully are higher than with trade sales.

Selling to your management team can help secure your business's future, but be aware it can also create conflict. If the deal falls through, relationships may be strained.

It might seem easier to handle negotiations yourself, but involving corporate finance advisors and lawyers early can help avoid some of the pitfalls or disagreements that may crop up further down the line.

THIRD PARTY SALES

A third party sale is often the cleanest form of transaction, this is because you'll likely achieve a majority of full value of the business on day one.

By crystallising the value of the business in full, the proceeds can provide you with the freedom to pursue new business ventures, plan for retirement, or simply spend more time with family.

Running a structured and competitive sale process, involving multiple interested buyers, can also generally deliver stronger outcomes than discussions with a single party.

However, negotiations with external buyers tend to be more commercially driven and less influenced by emotion. The importance you place on culture and values may not always align with a third-party buyer's priorities.

3 BENEFITS OF A THIRD PARTY SALE

1 POTENTIAL FOR HIGHER VALUATION

Competitive tendering or synergies with the buyer may increase sale value.

2 ACCELERATED PAYMENT

Buyers often have cash reserves or private equity backing, enabling substantial upfront payments.

3 MANAGEMENT TRANSITION

Buyers may already have an established team, allowing sellers flexibility in post-sale involvement.

You already know getting your business sale right is important. Only thorough preparation will help you maximise the value of your business and attract serious buyers.

Too many owners jump at 'cold call' or flattering offers without researching or marketing their business widely.

And watch out for brokers who suggest your business can be sold for inflated prices if you simply sign their paperwork with all the upfront costs...

That's a big mistake!

EOTS

We're seeing a growing shift as businesses place greater emphasis on people and culture.

An Employee Ownership Trust (EOT) can be a compelling exit option, allowing you to create a secure, long-term legacy for your employees in a tax-efficient way.

Under an EOT structure, shares in the trading company are sold to a trust, which holds them for the collective benefit of all employees.

WHEN ARE EOTS MOST ATTRACTIVE?

An EOT can be ideal for business owners who:

- Seek certainty and a clear medium- to long-term succession plan that passes value to employees
- Value culture and continuity
- Prefer to avoid potentially lengthy or complex third-party sale negotiations

EOTs can be an excellent ownership model for established and profitable businesses. However, like any sale, they're not without drawbacks. Specific conditions must be met, including the requirement for the trust to hold a controlling interest in the company.

Speaking to a Corporate Finance advisor early will help you explore your options and choose the right succession route for your business.

4 BENEFITS OF AN EOT

1

CONTROL OF THE PROCESS

There's no need to actively source a buyer. With no sales negotiations and fewer warranties, EOT transactions are often smoother and more predictable through to completion.

2

A TRUSTED HOME FOR THE BUSINESS

Ownership remains within the organisation, helping protect jobs, values, and the reputation that you've built.

3

EMPLOYEE RETENTION & ENGAGEMENT

Employees can be rewarded for their collective efforts with annual tax-free bonuses up to £3,600.

4

CAPITAL GAINS TAX RELIEF

You'll benefit from 50% Capital Gains Tax relief. Sale proceeds can also often be paid over time from future profits, easing pressure on cash flow.

PREPARING FOR SALE

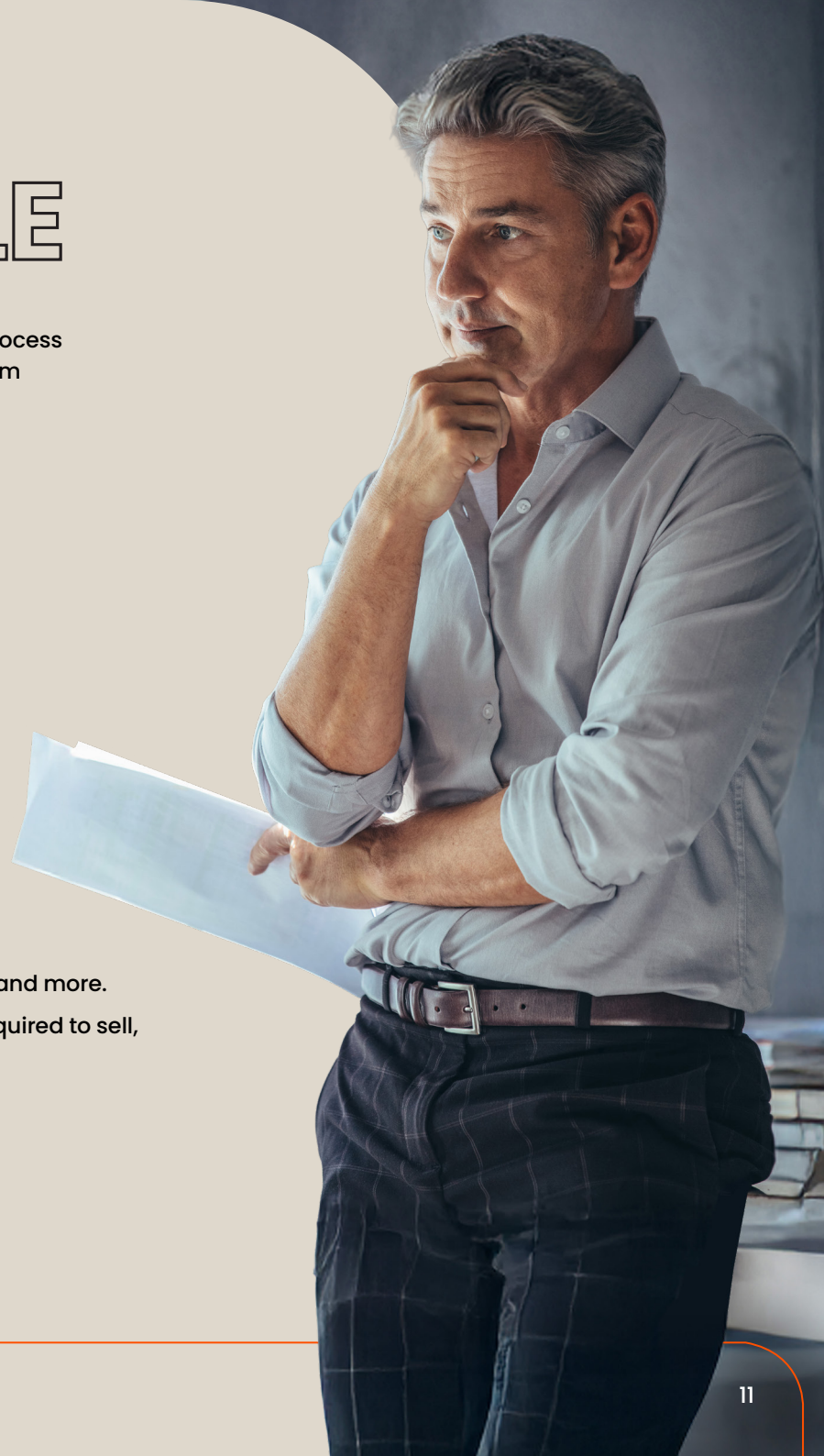
The more time you invest upfront, the more control you have over the eventual value and sale process. Good long-term preparation's key to making your business attractive to your management team or third party potential buyers and maximising its worth.

Important preparatory work includes:

- Structuring your business properly (property, surplus cash, tax planning).
- Building stable financials - healthy profits, cash flow, forecasts, recurring income, and a diverse client base all help to enhance value.
- Tidying up contracts - replace informal or outdated agreements with solid ones.
- Protecting any intellectual property you have.
- Moving ahead with big projects that add value - don't be tempted to put them on hold, growth's a big positive in any sale process.
- Being lean - review overheads and costs carefully, but avoid drastic cuts.
- Maximising value through steady finances, a stable workforce, strong brand, streamlined processes, and avoiding over-reliance on yourself.
- Planning how you'll operate through the sale to avoid any performance dips.
- Identifying and assessing potential buyers long before you sell.
- Getting your data in order - things like leases, employee contracts, accounts, business plans, and more.
- Engaging corporate finance advisors early - they'll help you prepare, understand the steps required to sell, and create a realistic strategy.

DON'T GO IT ALONE

Selling a business can be long and distracting. Trying to handle everything yourself risks hurting both your business and your wellbeing.



HOW CAN TC GROUP HELP?

One thing we firmly believe in is that a 'one-size-fits-all' approach simply doesn't work for SME business owners. That's especially true when it comes to how our Corporate Finance team supports you.

We understand there's a very personal and emotional angle to your business exit and succession planning.

Selling a business is rarely quick and simple. It can be distracting, demanding and draining when managed alone. So, while we provide all the expected services - exit options, strategy, business valuation & negotiation, business sale, tax planning, corporate structuring and adding value - we'll also be by your side throughout. Taking the burden of your shoulders, allowing you to stay focused.

We also protect you from costly missteps. Too many owners are drawn in by unsolicited approaches or flattering, unrealistic valuations that promise quick wins in exchange for upfront fees.

We'll always provide clear advice, credible valuations and a structured process designed to achieve the right outcome - not just a headline price. That's the difference of working with advisors who put your long-term interests first.



**RAISING
FINANCE**



**MERGERS &
ACQUISITIONS**



**EXIT &
SUCCESSION
PLANNING**



**BUSINESS
VALUATIONS**



**THIRD PARTY
SALES, MBOs
& EOTs**

TC GROUP IN NUMBERS

15+
SERVICE LINES



130+
EQUITY PARTNERS



1800+
PEOPLE



60+
LOCATIONS



150m+
TURNOVER



70
GLOBAL LOCATIONS*



10+
SPECIALIST SECTORS



18th
ACCOUNTANCY AGE
RANKINGS



*TC Group are a member of the BOKS International community. Find out more at: www.boks-international.com



As business advisors & accountants, we offer a comprehensive suite of services designed to support the demands and growth of our clients' businesses. By delivering these services under a single brand, our advice and support's both comprehensive and joined up.

From accounts to VAT, we provide a 'one-stop-shop' approach, saving you both time and money.

OUR SERVICE LINES

OUR SERVICE LINES & SECTORS

We understand every industry faces its own unique challenges, just like every business owner. That's why we offer specialist expertise tailored to your sector.



OUR SECTORS

TTC
GROUP

