The objective of this case study is to illustrate a typical MBO (management advisory) transaction

On appointment, we would agree with you a tailored transaction process designed for your individual situation

Typically we transact deals between £1-100 million for owner managed businesses, corporates and financial institutions. Although, we have completed larger and smaller deals

UK based we have completed deals for clients and with counter parties located in the EU, Asia & the Americas

*We look forward to working with you. For further information please call*

## CASE STUDY: Management Buy-out (Management advisory)

Peter Ryan and Henry Spence were passionate and enthusiastic about the business that they managed, Selectequip Ltd, a supplier of innovative tools and engineering products mainly used in the rail industry. The two owners of the business had progressively withdrawn from the day to day management of the company and were now looking to realise their investment and retire.

The shareholders were aware that Peter and Henry, who had been driving the business for a number of years, were integral to its value. For the owners therefore a Management Buy-out was their best option to realise value from their original investment. They had engaged a corporate finance advisor to assist with the sale and agreed a price for the business with Peter and Henry.

From this point the process had slowed and lost direction. Peter and Henry knew little about the MBO process and did not want to disturb their relationship with the owner, employer and vendor. They therefore decided to seek professional advice and met with and then engaged HW Corporate Finance to help them with the transaction.

HW Corporate Finance explained the MBO process to Peter and Henry and agreed the best way forward to see the deal through to completion whilst maintaining a good relationship with the owners and leaving management time to run the business.

The process started with a valuation and feasibility review. This concluded that the price agreed for the business was a fair one and that critically it would be possible to obtain the necessary funding to complete it.

HW Corporate Finance then set out and negotiated the key terms of the deal with the vendors and their advisor embodying this in a Heads of Terms agreement. This document clarified the terms of the deal, provided a framework going forward and gave impetus to the transaction.

With this in place HW Corporate Finance worked with management to produce a business plan and financial forecasts in order to obtain the funding required. The business plan, subject to confidentiality agreements, was shown to a select number of banks. From a short list of interested parties Peter and Henry then delivered a strong series of management presentations which resulted in three offers of financing. HW Corporate Finance then negotiated the best deal with management’s preferred funder.

HW Corporate Finance managed the deal quickly and efficiently through financial due diligence and introduced a legal adviser, with whom they had worked with successfully before, to take Peter and Henry through the legal process. The deal has then completed to the satisfaction of all parties.

Reflecting on the process, Henry Spence said. “One of the best things about using HW Corporate Finance was the fact that our day-to-day roles weren’t diluted just because we were going through a deal process.”

HW Corporate Finance advises both managers and vendors on Management Buy-outs. Below are a number of management advisory deals HW Corporate Finance has completed:

- Valuation, structuring and debt fundraising from RBS for the acquiring management in the MBO of Crystal Window Systems Ltd
- Valuation, structuring and debt fundraising from HSBC for the acquiring management in the MBO of Swift LG Limited, a software developer
- Valuation, structuring and debt fundraising from HSBC for the acquiring management in the MBO of Project Indigo, Midlands based packaging business
- Valuation and structuring for the acquiring management in the MBO of Uplands Mobile Ltd,
- Valuation, structuring and debt fundraising from Venture Finance with assistance of a parental dowry for the acquiring management in the MBO of Airtex Ltd


| | | | | | | | |
|---|---|---|---|---|---|---|---|
| South East | - | Charles Whelan | 07733 003 487 | South West & Wales | - | Adrian Godfrey | 07710 158 371 |
| London | - | Richard Hall | 07960 126 559 | Midlands | - | Alan Gardner | 01902 793 333 |
| North East | - | Chris Scott | 07836 288 823 | North West | - | Sean Moriarty | 0161 819 6843 |
| Yorkshire | - | Miles Stanyard | 0113 398 1100 | Scotland | - | Richard Gibson | 07712 880 164 |