www.cattaneo.co.uk

A GUIDE TO

SELLING YOUR BUSINESS

CATTANEO
CORPORATE FINANCE

ABOUT CATTANEO

BACKGROUND

- An independent corporate finance lead advisory practice established in 2005
- Dedicated to providing outstanding service to clients in both public and private arenas
- Team comprises corporate finance professionals with experience gained across Private Equity, Investment Banking, Corporate Stockbroking and International Accounting Firms
- Based in Birmingham, United Kingdom, operating internationally
- Full range of corporate finance services
- Deal size from £0.5 million to £100+ million

WHAT WE DO

Cattaneo specialises in bespoke corporate finance advice and execution services for private and public companies, investors and management teams tailored to meet our clients' needs.

- Cross border acquisitions and disposals
- Private equity
- Debt finance
- Fundraising (including start-up, development capital and cash out)
- Management buy-out (MBO) / Management buy-in (MBI)
- Business plans and financial models
- Valuations
- Initial public offering (IPO)
- UK Listing and AIM Rules
- UK Takeover Code (including acting for overseas acquirers)
- Pre IPO funding
- Takeover, both hostile and recommended including Rule 3 advice
- Corporate governance
- Strategic investment

INTRODUCTION

For many company owners the prospect of selling their business is daunting. Whilst the process can be very demanding – on both time and emotions – if managed professionally it can ultimately be very rewarding. We have prepared this guide to help you to appreciate the challenges that lie ahead and to highlight the key stages to achieving a successful sale.

This guide is designed to provide an introduction to selling your business and what it entails. It looks at the key aspects of the process and the roles of the various advisers including the corporate finance adviser. We hope it will offer food for thought as you consider embarking on your own transaction.

WHY MIGHT SHAREHOLDERS DECIDE TO SELL

There are many reasons why shareholders may decide to sell a business. These can include:

- Desire to retire;
- Succession—a lack of a next generation family member to pass the business on to;
- Shareholder, for example a venture capitalist or private equity house, looking to realise value from an investment;
- The need for support of a larger group to provide further investment and opportunities for expansion;
- Receipt of an unsolicited approach from a potential purchaser; or
- A subsidiary may have become non-core or a parent company may need to realise funding for investment elsewhere within the group.

This list isn't exhaustive. Whatever the reason for selling, the decision to sell should be based upon clearly defined objectives and following consideration of the alternatives. The sale process can be time consuming and stressful, and it is important to receive advice from experienced professionals to help you shoulder this burden.

MOST COMMON OBJECTIVES WHEN SELLING

- Maximise sale proceeds (net of tax);
- Complete the sale as quickly as possible, without damage to the business;
- Maintain confidentiality; and
- Protect the interests of the business and its employees.

Cattaneo has extensive experience of acting for both buyers and sellers, and therefore appreciates the issues from both sides of the fence. Cattaneo's advice is structured to ensure that your objectives are achieved throughout the sale process.

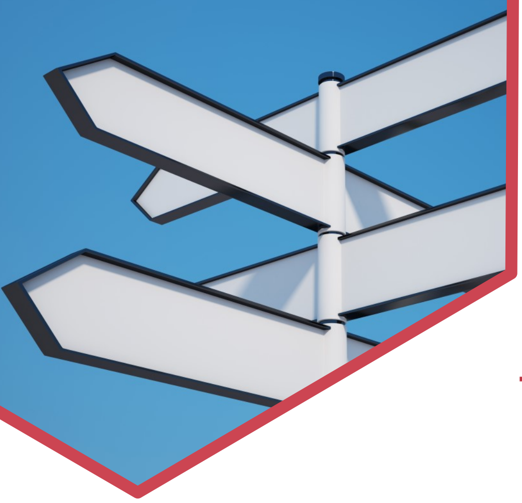


TABLE OF CONTENTS

MAXIMISING SALE PROCEEDS

In the majority of business sales, maximising the net sale proceeds is the key objective.

INFLUENCING VALUE EXTRACTION

The ability to extract maximum value from a sale can be influenced by:

- Choosing the best time to sell;
- Identifying potential issues that could affect value and addressing them in advance;
- Identifying those purchasers that will have a genuine strategic interest in acquiring the business;
- Ensuring that all the key value drivers of the business are effectively communicated to the purchaser;
- Introducing competitive tension into the sale process;
- Appropriate tax planning and legal structuring;
- Resisting last minute attempts by the purchaser to chip at the price previously agreed; and
- Completing the sale as quickly as possible, without damaging the business.

Cattaneo will address all of the above issues and provide you with objective advice on whether the time is right to sell and, if not, what initiatives should be put in place to ensure that value is maximised when you ultimately decide to sell the business.

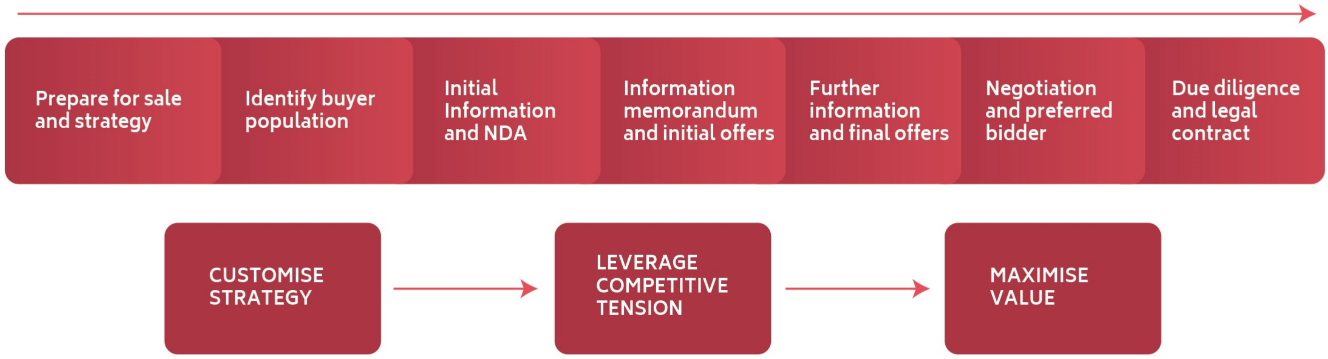
You may also wish to consider the alternatives to a trade sale and Cattaneo is uniquely placed to be able to evaluate and offer advice on the relative attractions of trade sale, sale to a private equity house (including cash-out) and flotation on a recognised stock market. The alternatives are discussed in more detail later.

THE SALE PROCESS

The sale process typically spans a number of stages as outlined below – albeit every process is tailored as part of the initial preparation stage.

It is important to plan carefully and for this reason we at Cattaneo prefer to work with our clients over a period of time leading up to the sale of their business. By doing this we are able to gain a complete insight into the company's value drivers and, equally importantly, the risk areas. This allows us to customise the sale strategy, including the identification of strategic buyers that are likely to place the highest value on the business and how key messages are communicated to this population, thus allowing us to leverage competitive tension and maximise value.

Of course not all sale processes involve the marketing of the business. It may be that you receive an approach from a potential acquirer and are considering the merits of dealing with them exclusively, or it may be that, for reasons of confidentiality, you prefer to keep the process amongst a carefully controlled buyer group, or even approach a single buyer with whom you perceive there to be good strategic fit. Cattaneo can advise you in all of these circumstances and can help you work out what is right for you and your business.



TIMING

When is a good time to sell my business?

Timing, of course, is vital. You should make an objective assessment of your business, your industry sector, the likely appetite of potential buyers, and the overall economic picture, to assess if and when it is a good time to sell.

Some circumstances make it easier to sell a business regardless of timing - for example, if it operates in a niche market, has a desirable customer base, benefits from contracted revenue or is on a steep growth curve. Almost without exception, a good quality business will sell.

There are many reasons for selling – for an owner-manager this may be driven by retirement or the desire to realise value in order to spread risk. It may be that your business has outgrown your management capability or interest – common for entrepreneurs who enjoy the development phase more than they do running a large mature business. It may be for the long term interests of your business and its employees. In a group situation it may be that there is a desire to realise cash from the sale of a non-core business for investment elsewhere in the group or it may be underperforming or diverting management time away from more profitable core activities.

Cattaneo is experienced in undertaking objective business reviews – advising on sector dynamics, likely buyer appetite, market conditions and timing. If we think the timing is wrong, then we will tell you. We have built our reputation on providing realistic, quality advice and not on short-term gain. The sale process can be distracting and stressful and it can be difficult to remain objective when selling a business you are very closely attached to.

PREPARATION FOR SALE

It is possible to significantly improve the price achieved on the sale of a business through careful planning and it is never too early to start the process. The objective is to ensure that the business is optimally positioned and that all important issues that could affect the value of the business, both positive and negative, are understood and appropriately addressed well in advance.

AREAS TO ADDRESS DURING PREPARATION

There are several work streams to address as a business moves through the preparation phase which include:

- **Business strategy** – a purchaser will place a higher value on a business that knows where it is going and that will deliver enhanced value post-acquisition;
- **Profit improvement** – multiple of profit is normally the basis of valuation, so consider sustainable sales and margin growth opportunities as well as cost reductions;
- **Working capital** – manage out any excess to improve cash flow and hence equity value;
- **Maximise asset values** – greater overall value may be achieved through separating certain assets (e.g. freehold property) from the business pre-sale;
- **Management team** – ensure the structure of the team will allow the shareholders to realise their objectives;
- **Business review** – of customer and supplier relationships and contracts, outstanding litigation, tax matters, regulatory issues and pensions;
- **Identify the buyer population** – early identification of likely buyers allows the preparation phase to be tailored towards the areas of greatest relevance to them; and
- **Tax planning** – early planning is essential as failure to do so could significantly affect the net value you ultimately receive on the sale.

Cattaneo will provide advice on the practical steps that you can take to maximise value and ensure that the eventual process runs smoothly. The objective is to ensure that the business is optimally positioned for sale, and that any key issues that could affect value are addressed well in advance. The preparation phase also allows us to build up a detailed understanding of the business in order to best advise you on valuation, likely buyers and disposal strategy.

With adequate preparation, the sale process invariably runs much more smoothly, and the ability to maximise price is greatly enhanced.

IDENTIFYING POTENTIAL PURCHASERS

It is important to fully understand the buyer population at an early stage as this helps shape the preparation that is needed and impacts on the disposal strategy.

Identifying UK and international businesses in the same or aligned sectors is only the starting point. It is then important to identify which of that group are likely to have a genuine appetite for the business and put the highest valuation on it based on sound strategic rationale.

FINDING THE RIGHT PURCHASER

At Cattaneo our experienced team carefully assesses each potential buyer to understand:

- **Strategic fit** – is there a compelling rationale for a business combination that can be pitched to the potential buyer to gain their attention?
- **Financial capacity** - does the potential buyer have the ability to conduct a transaction at our target valuation?
- **Appetite** - does the potential buyer have the appetite for a deal – what is their track record in M&A, their investment focus and their overall strategy? Have we spoken to them to verify their appetite?
- **Reputation** - do they deliver on deals struck and what is their reputation as a buyer?

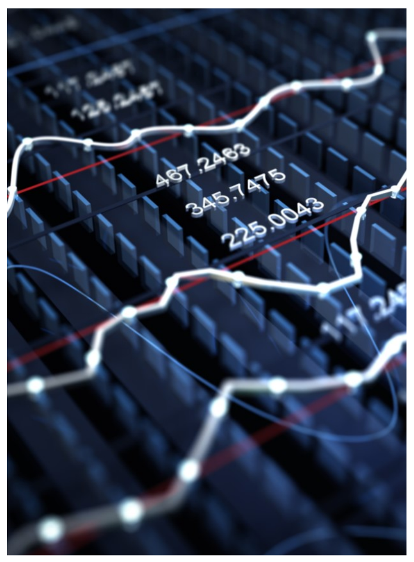
We do this through a combination of detailed research on a global basis plus our own knowledge of the potential buyers supplemented by direct conversations with decision makers in the organisations, regardless of whether the potential buyer is based in the UK or overseas.

In some instances the pool of credible strategic buyers might be small, perhaps half a dozen, for example where the business supplies a small number of products or services into a tightly definable market in which a few large businesses are competing for dominance.   In other cases, such as where the business has a broad range of products or services selling into a number of different markets, it may be necessary to explore a much wider field across a number of overlapping sectors.

Cattaneo fully evaluates all potential purchasers prior to disclosing any information to them. Although many companies may appear to be suitable purchasers, further investigation often reveals that they do not have the financial ability and/or appetite to make acquisitions. Often these purchasers are competitors to your business, and it is critical to have assessed their credibility before they are furnished with the knowledge that your business is for sale.

The Cattaneo team has a track record of achieving outstanding value for clients. We do this by applying the experience that we have accumulated on many transactions over many years to assess potential buyers, identify their strategic rationale for a deal and to communicate effectively with the decision makers in these organisations, leading to the ensuing information flows and negotiations.

VALUATION



HOW TO VALUE A BUSINESS

To assess the value of your business, you need to consider a number of internal factors such as reputation, competitive position, profit trends, cash generation and asset values, as well as external factors such as market position, sector rating, macro-economic conditions and the available population of good strategic buyers.

The value of a profitable business is most commonly determined by:

Sustainable earnings (profit) stream x Valuation multiple

When using sustainable earnings before interest and tax, this calculation gives an Enterprise Value. Deducting any debt from and adding any surplus cash to the Enterprise Value gives the Equity Value, that is the value attributable to the shares.

The factors referred to above typically influence the multiple, or range of multiples, that might be applied. Such multiples are often assessed by reference to transactions involving comparable companies and supported by looking at the company's relative position to similar businesses whose shares are listed on a recognised stock exchange. The former also provides a useful indication of the market appetite for transactions in the sector as well as an indication of potential buyers. The latter can also provide an indication of a listed purchaser's ability to raise funds for a transaction.

In addition to deriving an appropriate multiple, it is equally important to make an accurate assessment of the company's sustainable earnings. In the case of an owner-managed business in particular it is essential that profits are appropriately adjusted to reflect the earnings stream being acquired by a buyer. Adjustments may include such obvious items as non-market rate salaries and bonuses or personal expenditure but it is also necessary to assess less obvious areas such as unusual or one-off costs and revenues, customer gains or losses, new product launches, etc.

An alternative way of valuing a company is to discount its future cash flows at an appropriate discount rate in order to estimate its current worth. This method is most commonly used as an additional check by large corporate acquirers and private equity houses which appraise competing investment acquisition opportunities against a hurdle rate of return.

At Cattaneo we understand that valuation is at the heart of everything we do and our detailed understanding of valuation methodologies, combined with our experience of selling businesses across a wide range of sectors, enables us to provide you with a good (and realistic) indication of how much your business is worth.

STRATEGY FOR SALE

KEY ASPECTS

Key aspects of this stage of the process include:

- Agreeing a suitable shortlist of potential purchasers;
- Deciding how many purchasers should be approached;
- Deciding whether financial buyers should be approached;
- Considering whether a management buy-out is an option, and if so, at what time discussions with management should take place;
- Preparing an information memorandum;
- Preparing a management presentation; and
- Agreeing the precise timing of the sale process.

We will agree with you a suitable shortlist of purchasers to be approached and would never approach any purchaser without your consent.

We would also prepare the information memorandum – this is essentially a selling document which is designed to provide sufficient information to whet purchasers' appetites, but not to provide any commercially sensitive information on the business. Typically it includes an executive summary and then more detailed information on history and ownership, financials, nature of operations, customers and suppliers, markets and competitors, management and staff, future opportunities and the reasons for sale. Sometimes it is possible to solicit indicative offers based on the information memorandum but we may meet with interested parties before asking them to make an indicative offer.

We would also assist you in preparing a suitable management presentation, highlighting the key value drivers of the business, which is presented to potential purchasers in a face to face meeting.

MARKETING

CONFIDENTIALITY AND THE MARKETING PROCESS

Can confidentiality be maintained? Confidentiality is a major consideration in most sale processes. There is a fine balance to be struck between communicating sufficiently detailed information to a wide enough buyer population and disclosing sensitive confidential information, potentially to competitors.

The marketing process can vary significantly but it is important to carefully assess your particular situation and devise a process that takes into account the characteristics of the business and its markets as well as the wishes and objectives of its shareholders - for an owner-manager, this is likely to be a once in a lifetime event that has many emotional considerations as well as financial.

KEY ASPECTS

- Approaching the agreed shortlist of potential purchasers, firstly to obtain a confidentiality agreement, and then to provide an information memorandum;
- Meeting with potential purchasers, providing further information and organising management presentations;
- Assessing the appetite of potential purchasers;
- Drip feeding further information to potential purchasers as appropriate; and
- Inviting indicative offers.

We will often prepare an information memorandum as is customary but we also like to think beyond tradition and in some instances discrete approaches to a short list of carefully screened buyers may be much more effective. Such an approach can suggest that there is no actual disposal in process and may have the desired effect of bringing a buyer to the party. The information can then be imparted face to face in presentation style, bringing the opportunity to life for the buyer.

Having all of the information ready before going to market also reduces the risk of a breach of confidentiality as the time between the commencement of marketing and completion is minimised.

However the information is imparted, we will always recommend that a non-disclosure agreement is put in place. While these are notoriously difficult to enforce it is remarkable how seldom leaks occur – most senior executives value their reputation and, frankly, have better things to do than spread rumours. Even if rumours do develop – they can normally be contained with a little forethought.

It is also important that information flows are managed so as to maximise, or minimise in the case of bad news, their impact. Again, with a little forethought, a strategy can be developed as to the timing of information provision and when and how to communicate both good and bad news.

EVALUATION OF OFFERS

Once we are satisfied that a potential purchaser has received and understood the information we will invite them to make an offer. This will be in a format prescribed by us in order that we obtain sufficient understanding of the offer and to aid comparison between competing bids.

Of course it is unlikely that all offers will be directly comparable and further clarification is normally required. Cattaneo's approach is to understand the motivation as well as the offers themselves as this is an important factor in assessing who can be pressed to improve their bid and how to go about it.

When assessing competing offers pricing is of course important, but there are other factors to consider including the form of the consideration (e.g. cash, shares, loan notes), linkage of consideration to future performance (earn-out), assumptions that have been made (and whether they will hold up), the ability to finance the transaction (ideally from cash resources or existing credit lines) and the bidder's approach to due diligence and negotiations in general.

The highest offer may not necessarily be the best for shareholders. For many shareholders the future of their business is also important and they are often keen to work with a buyer that they believe will carry on investing in and developing the business and its people, even if this is not a prime motivator at the outset.

Before inviting final offers we would meet face to face with interested parties (or for a second time if meetings have already taken place earlier in the process). This is often based on a "management presentation" at which the management and / or shareholders present further and / or updated information on their business with the intention of cementing the appetite of bidders and encouraging them to improve their offers. Cattaneo will advise on the form and content of this presentation, tailoring each meeting to the specific buyers and attending with you.

Final offers are then invited and it is vital that this point of competitive tension is used to its maximum as it is while there are multiple bidders in the frame that the sellers' position is strongest.

Indicative offers should be submitted in writing, setting out:

- **Price to be paid;**
- **The form of consideration;**
- **Proposed method of funding the transaction;**
- **Details of any deferred consideration;**
- **Approach to due diligence;**
- **Estimated timetable to completion;**
- Conditions attaching to the offer.

CLOSING

The next phase will depend on the situation. If there is a clearly preferred bidder which we are confident will deliver a deal on the terms proposed then it may be that non-binding heads of agreement are drawn up.

Heads summarise the key terms of the deal in order that each party has a clear understanding of what has been agreed and the general approach to be adopted on due diligence and the legal contract, including warranties and indemnities. It is normal to grant a period of exclusivity at this point during which the purchaser incurs the costs of instructing due diligence and legal advisers.

Alternatively, it may be that there is more than one party capable of delivering an acceptable deal and that there is the potential to extract further value through maintaining competitive tension further into the process. The options here include allowing more than one party to undertake an initial phase of due diligence; of the vendor commissioning a due diligence report that is then provided to the interested parties (vendor due diligence); and providing a draft sale contract to each party for their comments.

The sale process is long and complex and therefore it is important to use your advisers to run the process, leaving you free to focus on running the business

It is quite common for purchasers to try to renegotiate the price, or other terms, once they are in an exclusive position and it is therefore important to assess the motivations of each buyer and to ensure that they have received the information they require and have confirmed their understanding of it. Of course, if the preparation phase has been handled correctly then there should be few surprises arising from due diligence – any weaknesses or risks will already have been identified and introduced into the process in a controlled manner. Due diligence should therefore be confirmatory.

Once the terms of the deal have been agreed, there is still a lot more work involved in closing the deal. The Sale and Purchase Agreement will be drafted and negotiated between respective sets of lawyers. Our role is to ensure that the agreement reflects the commercial understanding of the deal, and that the process is run as efficiently and smoothly as possible.

It is very common for this stage of the process to become unnecessarily protracted, as minor issues seem to become major obstacles. We will prevent this happening, keeping in mind the overall objectives of the shareholders.

A key aspect of the legal process is the negotiation of the warranties and indemnities. In conjunction with your lawyers, we will help you through this important process, ensuring you have fully considered the implications of the warranties and indemnities, and assisting you with appropriate disclosures.

It is important that you use your corporate finance adviser to co-ordinate the whole process during this period, as there are often a large number of parties involved and you will have to cope with the demanding provision of information for the due diligence process. The adviser will also be able to identify issues in advance, ensure that their effects are minimised, and conduct negotiations to deliver the best result for you.

TIMESCALES

How long does it take?

No two situations are ever the same and the time it takes to sell a business depends on what is considered to be the start point – perhaps the preparation stage, or the commencement of drafting an information memorandum, or approaching potential buyers. Nonetheless, we would say that from making a conscious decision to go to market the sale process can take anywhere from three or four months to as much as eight or nine. Much will depend on the number of buyers to be approached, whether there are international dynamics and the degree of complexity of the business concerned.

Once the shareholders' objectives are clearly defined and the key business and market factors identified, we will be able to provide an assessment of the timescales involved.

Whatever the time frame, you need an adviser who will stay involved throughout, enabling you to continue running your business right up to completion of the transaction. At Cattaneo we are quite used to difficult situations – perhaps where there has been a failed process previously, or there is a limited buyer pool, or where the business to be sold requires a high degree of preparation. In the latter circumstances we are able to work closely alongside management over the necessary period either as an adviser or, if appropriate, as a non-executive director.

For owner-managers, the timescale for exit from the business as an employee may be very different to the timing of a transaction. The position depends on the importance of the vendor to the operation of the business, their own preferences and, of course, the requirements of the buyer. It is not unusual to have a handover period but the length of time can vary enormously from a few months to several years.

If a vendor has a clear idea this can be factored into the process and, potentially, valuation expectations, and then incorporated into discussions with potential buyers at an early stage.

THE ALTERNATITIVES: DUAL OR TRIPLE TRACK

While a sale of your business to a trade buyer may be the obvious solution, there are alternatives that may be appropriate depending on the circumstances.

ALTERNATIVE OPTIONS

As an alternative to a sale of the business we would advise you on considering the following options:

SALE TO A PRIVATE EQUITY HOUSE IN THE FORM OF:

- a management buy-out in which the management team of the business acquires the company supported by a private equity house and/or bank; or
- a "cash-out" deal in which the existing shareholder(s) sell a minority stake in the business but retain control and continue running the business; or
- the purchase of shares by the company to enable a retiring shareholder to realise cash without the company being sold.

A FLOTATION ON EITHER THE MAIN OR AIM MARKETS

A management buy-out may be a relevant option if few or no trade buyers can be identified or ownership and management have become separated and the vendor wishes to give the management team that has served the shareholders well a chance to take the business on or the business is particularly reliant on its management team.

A cash-out deal is often considered where the shareholders believe that they can continue to grow the value of the business but would like to de-risk themselves by realising some cash. In similar circumstances a flotation might be considered, particularly if the business would benefit from access to capital from public markets, for example to fund growth either organically or by acquisition.

It may then be appropriate to run one or more of these in parallel with a trade sale (known as dual or triple tracking the process).

With extensive experience of the public markets as well as in private equity and M&A, Cattaneo is perfectly placed to advise on the relative merits of each "track" based on the specific circumstances and help you assess whether the trade sale process should be supplemented by one or more of these alternatives and whether they should be prioritised or run in parallel.

Unlike the majority of corporate finance advisers, we are equally comfortable advising on each of the three tracks and, as we are indifferent to them, our clients have comfort that they are receiving impartial advice.

Further information is available in our guide to management buy-outs.

KEY FACTORS FOR A SUCCESSFUL SALE

- It is essential to "keep your eye on the ball" during any sale process; purchasers in general react badly to current trading surprises.
- Identifying the strategic purchaser is key to achieving optimal value. Remember, who you consider as the strategic purchaser of your business is not always the case and quality research is essential.
- Never market your business for sale by "mailshot". Confidentiality is key to most sale processes and "anonymous" one-page flyers "scatter-gunned" across the market rarely achieve their desired effect.
- Merely advertising your business for sale is unlikely to maximise value and can destroy value. Make sure you work with someone who can give you advice not just introduce you to potential buyers.
- "Selling the story" to purchasers is critical to achieving enthusiastic buy in to your business. A meeting held between a willing buyer and seller is important as soon in the process as possible.
- Drip-feeding information to potential purchasers allows a significant degree of control over the process, whilst protecting the business commercially until you are certain of a purchaser's intentions.
- A deliverable offer from a potential purchaser is achieved by disclosing sufficient information such that any price chipping is made difficult and unjustifiable.

FREQUENTLY USED TERMS

Business and Asset Sale – the sale of the business and assets of a company by the company itself such that the company receives the consideration and realises the capital gain, which is taxable on the company. The consideration then needs to be extracted from the company with potential further tax consequences.

Cash and Debt Free – companies are normally valued on a cash and debt free basis which means that the existing capital structure is ignored for valuation purposes on the basis that the purchaser will utilise an alternative funding structure. Once a value for the business is derived (the Enterprise Value) the value of the shares (Equity Value) is obtained by deducting the amount of debt and adding the amount of surplus cash.

Due Diligence – the process by which a potential purchaser makes enquiries and gathers information on the target in order to confirm or evaluate the business – due diligence can be financial, legal, commercial, technical or of any other nature relevant to the potential purchaser's evaluation of the target.

Earn Out – the deferral of a portion of the consideration, the payment of which is contingent on the future achievement of pre-defined targets, most commonly, but not exclusively, profit-based.

Exclusivity – agreement by the seller to continue discussions with a single party in return for that party incurring time and cost on due diligence and legal contracts.

Grooming – often used to refer to operational improvements in preparing a business for sale e.g. maximising profits and cash flow, filling any gaps in management, ensuring contracts are in order and resolving any outstanding disputes.

Heads of Agreement or Heads of Terms
a document that sets out the key terms agreed between buyer and seller as the basis for progressing to due diligence and legal contract – it is normally non-binding except for certain terms relating to exclusivity and costs.

Indemnity – an agreement by the seller to compensate the purchaser for a loss suffered as a result of the occurrence of specific circumstances.

Information Memorandum – a document prepared by the seller that describes a business for sale and sets out the information required by an interested party to evaluate the business and formulate an indicative offer.

Indicative Offer – an initial, non-binding offer made by a potential purchaser which will qualify it (or not) to progress in the sale process and enter into more detailed discussions with the vendor.

Management Presentation – qualifying bidders are often invited to receive a presentation from the company's management (prepared with the assistance of the vendor and its advisers) which has the intention of cementing the bidders' interest and encouraging them to make their offers as competitive as possible.

Non-Disclosure Agreement (NDA) or Confidentiality Agreement – a legally binding agreement whereby the vendor agrees to disclose certain confidential information (e.g. as contained in an information memorandum) in return for the recipient agreeing to keep the information confidential and not use it for commercial advantage.

Normalised Working Capital – when adjusting for net debt (or cash) to derive an Equity Value from an Enterprise Value it is important to take into account any seasonal, or even daily, fluctuations in working capital (that directly affect the debt / cash position of the company and therefore the Equity Value). Working capital is usually "normalised" by removing unusual fluctuations, adjusting for non-sustainable changes and averaging out seasonality or other short term fluctuations.

Restrictive Covenant – an obligation by a vendor not to compete with the business that has been sold for a defined period of time, normally one to two years, in order not to undermine the value of the business.

Sale, Disposal, Exit – the sale of the shares in a company or of a company's business and assets.

Sale and Purchase Agreement (SPA) – the legal contract between buyer and seller that sets out the terms of the transaction including details of the quantum, form and timing of the consideration and the obligations of the seller in terms of warranties and indemnities.

Share Sale – the sale of the shares in a company such that the shareholders receive the consideration and realises the capital gain, which is taxable on them.

Sustainable or Adjusted Profit – the profit stream that is being sold i.e. after making adjustments for non-recurring items such as shareholder costs or one-off costs or income such as the disposal of surplus assets.

Teaser – an anonymous summary of a business which allows a party to confirm its interest before it enters into an NDA and receives more detailed information, including the name of the business in question.

Vendor Due Diligence – due diligence investigations that are commissioned by the vendor but which can be relied upon by bidders – normally used to keep multiple bidders in the process longer thus maintaining competitive tension and also shortening the overall timescale.

Warranty – an assurance given by the seller that facts on which the purchaser is relying are true.

WHY CATTANEO

You need an experienced corporate finance adviser with a proven record of advising shareholders and corporate owners on selling businesses.

WHAT MAKES CATTANEO DIFFERENT?

- Our flexible approach that is client centric; we want to know and understand our clients' drivers and objectives and forge a close working relationship with them. Our advice is centred on helping clients to achieve their corporate and personal objectives.
- Our fees are weighted towards a contingent fee on success, designed to align our motivation with that of our clients.
- We have a dogged determination to provide solutions which make business sense.
- We offer value for money based on excellent experience and track record combined with a low overhead structure.
- Our team has direct experience in private equity, banking and industry.

CATTANEO

For more information and / or a confidential discussion please contact us:

Cattaneo LLP Tel: +44 (0) 121 274 2300

www.cattaneo.co.uk