Introduction

- Joined the family business in 2007 in the exciting world of industrial electronic repairs. Team of 9 people
- Small office, no windows, full of rubbish
- Launched our first eBay store in 2008
- Launched EKM Powershop in 2009
- Launched a Magento store in 2012 with 1.2 million SKUs
- Exported to 130 countries
- Offices in Blackburn, Mexico and Germany
- Sold business to a PE-backed competitor in 2023
- Ran EU business (350 people - 7 countries) and part of the global leadership team ($1.1 billion of revenue)
- Advising on M&A Strategy and investing in other companies

This presentation could have been called

"How not to sell your business"

Why Buy?

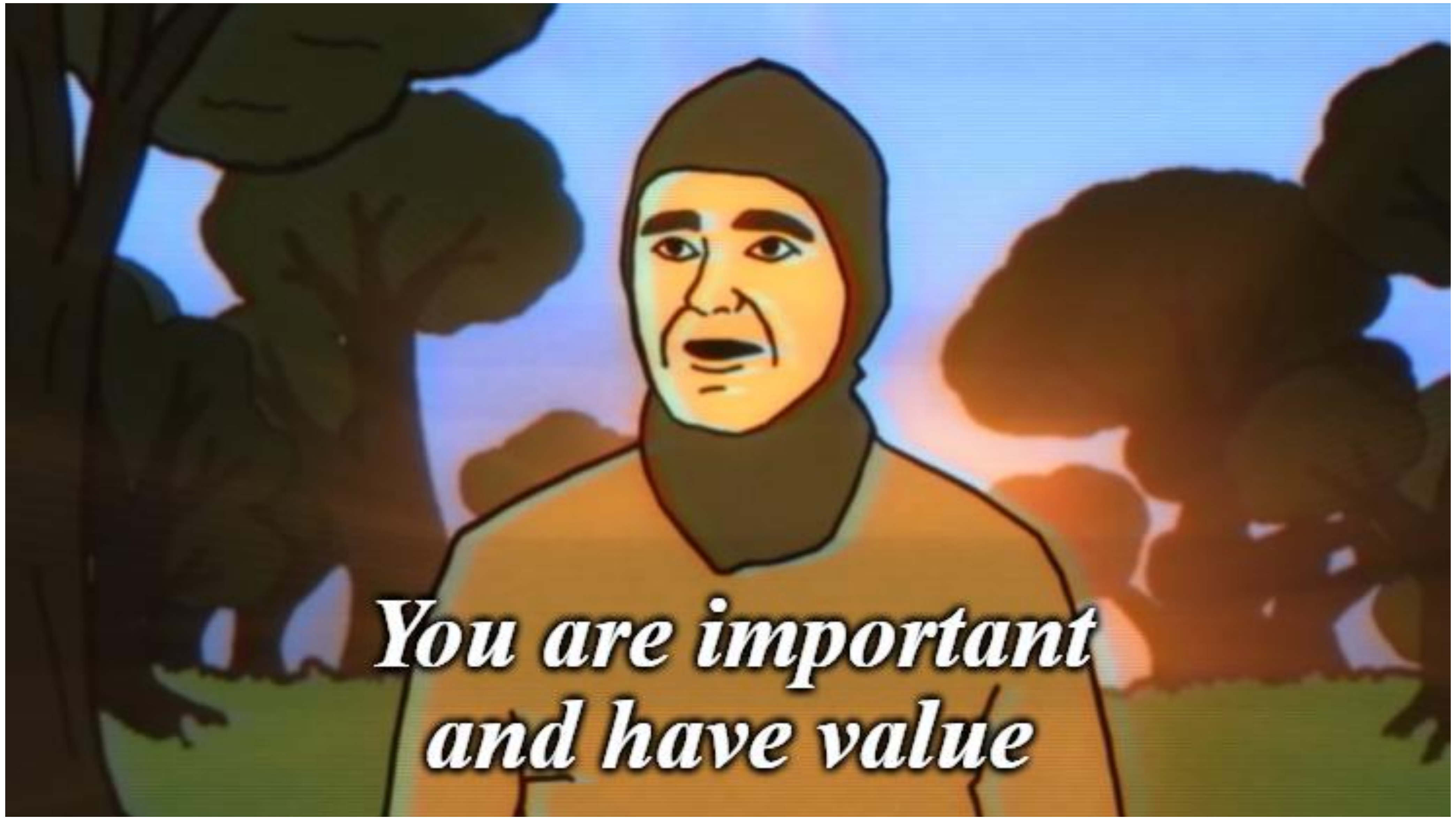
Companies buy other companies mainly to grow faster, get stronger, or gain something valuable they don't already have

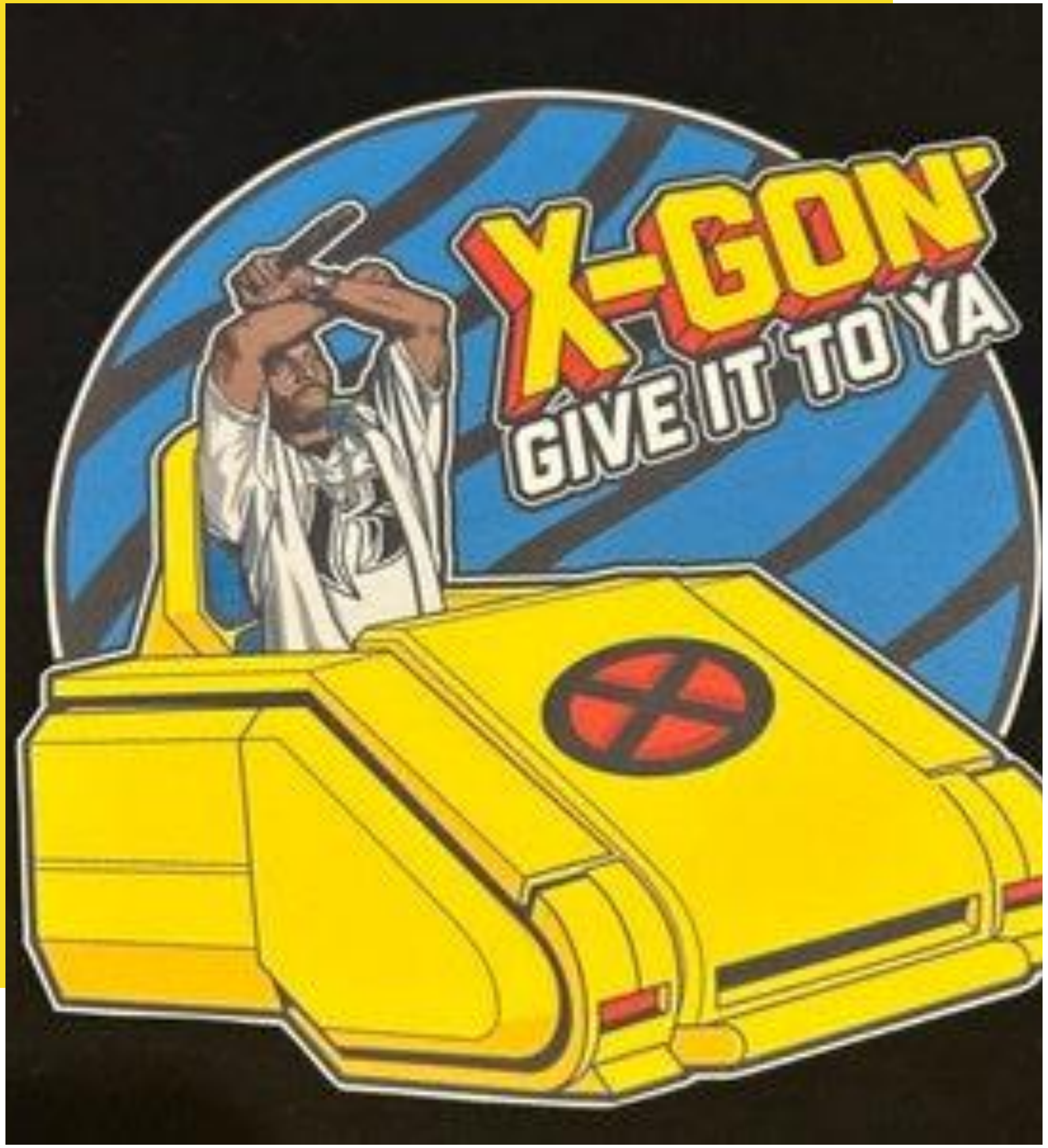
- **Growth:** Buying another company is often quicker and easier than building new products, opening new locations, or entering new markets from scratch.
- **Eliminate Competition:** Acquisitions can remove a key competitor and give the buying company a bigger share of the market.
- **Get Special Skills or Technology:** Sometimes a company wants another's talent, inventions, or unique technology, which can be faster to buy than build.
- **Improve Efficiency:** Combining two businesses can reduce costs or streamline operations, leading to increased profits.
- **Geographical Expansion:** Businesses often buy companies in new regions or countries to get instant access to new customers and markets.
- **Diversify:** Acquiring a business in a different industry or area helps spread risk, so the company isn't relying on just one thing.
- **Supply Chain Control:** By buying a supplier or distributor, a company can control costs and secure its own supply of materials or products.

Myths

- You can sell your business quickly
- My business is worth whatever I want it to be
- I don’t need an advisor to sell my business
- Selling means I will leave immediately
- The buyer will pay my asking price
- I will get all the cash at closing
- The timing is up to me
- Any interested buyer is a good buyer
- Only failing businesses are for sale

How to value a business





EBITDA Multiple

For most, the valuation of the business comes from the EBITDA Multiple (not always)

Company value = "EBITDA" x "X-Factor"

Key metric: EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

The X is totally subjective and based on several factors

EBITDA is just the money left from sales after paying day-to-day costs, but before worrying about loan interest, taxes and the savings for new equipment. Think of it as the pure core earnings of the company.

Customer Base

What buyers examine.

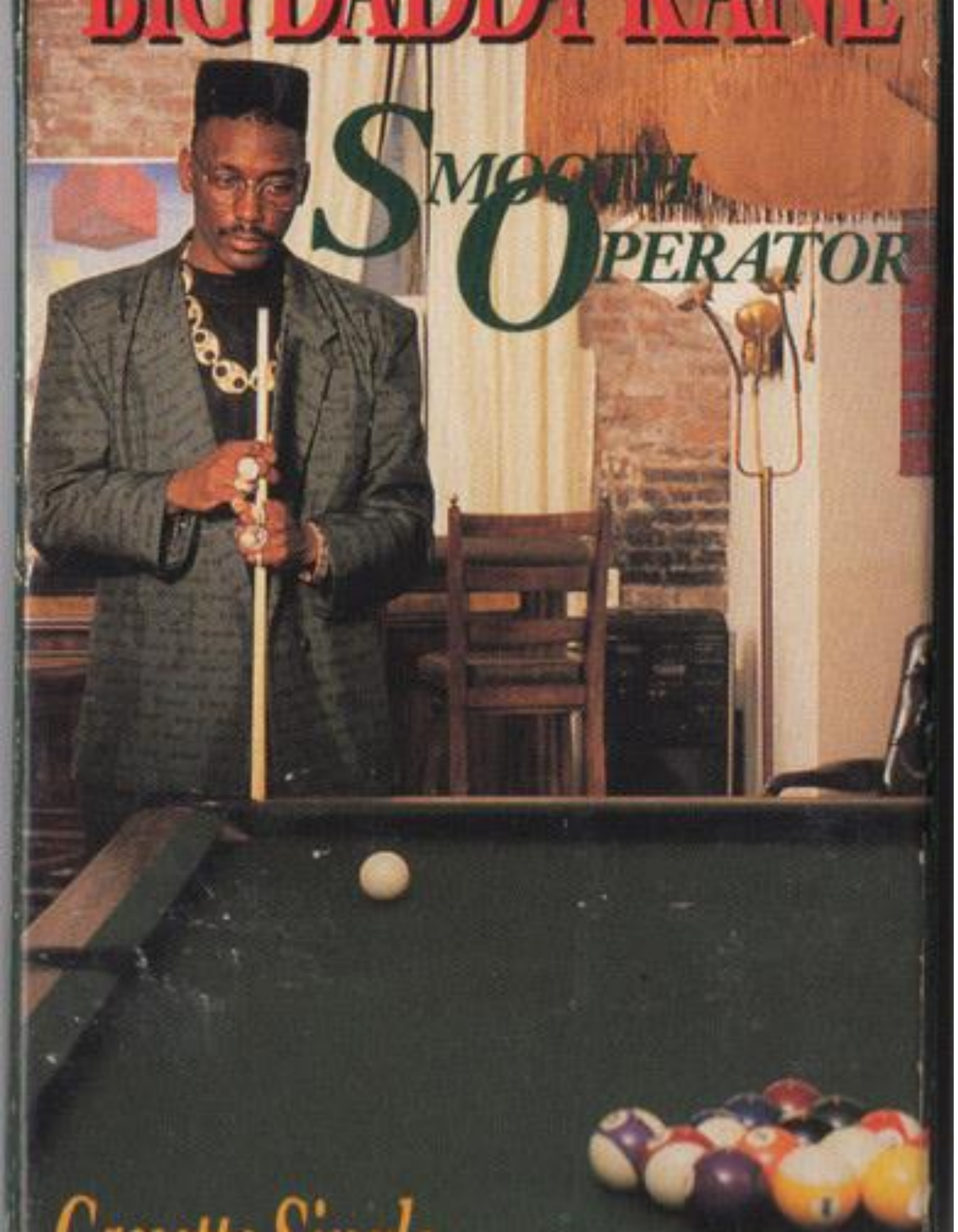
- Customer retention rates and loyalty
- Revenue concentration risk (too dependent on a few customers)
- Customer demographics and payment performance
- Diversified customer base to reduce risk
- Customer contracts and relationship transferability

Why is it important?

A stable, diversified customer base provides predictable cash flow and reduces business risk.

Impact on Multiplier

Companies with 80% recurring revenue can achieve EBITDA multiples of 8x-12x or higher, while businesses dependent on one-time transactions typically receive only 2x-4x EBITDA.



Operational Systems & Transferability

What buyers examine.

- Documented business processes and procedures
- Management structures and key employee dependencies
- Whether the business can operate without the current owner
- IT systems, equipment condition, and operational efficiency
- Supply chain relationships and vendor contracts

Why is it important?

Buyers want businesses that can continue operating smoothly after they take over.

Impact on Multiplier

Businesses perceived as "founder-dependent" face significant valuation discounts. Deep management benches with proven track records reduce buyer risk and increase multiples by 0.5x-1.5x

Legal & Regulatory Compliance

What buyers examine.

- All contracts (suppliers, customers, employees, leases)
- Intellectual property rights, trademarks, and patents
- Outstanding litigation or legal claims
- Regulatory compliance and required licenses/permits
- Employment agreements and HR policies

Why is it important?

Legal issues can become expensive problems for the new owner and impact business value.

Impact on Multiplier

Industries subject to significant regulatory oversight or economic cyclicality typically trade at lower multiples due to uncertainty.

Strategic Fit & Growth Potential

What buyers examine.

- Market positioning and competitive landscape
- Brand reputation and market image
- Cultural alignment with the buyer's existing operations
- Future growth opportunities and scalability. Businesses demonstrating clear scalability - the ability to grow revenues without proportional cost increases - command premium multiples
- Synergy potential and integration feasibility
- **Rule of 40 - EBIDTA + Growth %**

Why is it important?

Buyers want businesses that complement their existing operations and offer future growth potential.

Impact on Multiplier

Businesses demonstrating clear scalability - the ability to grow revenues without proportional cost increases - command premium multiples. Scalable business models suggest higher future returns with lower incremental investment.

Financial Health & Performance

What buyers examine.

- 3-5 years of financial statements, tax returns, and cash flow records
- Profit margins, revenue trends, and growth potential
- Debt levels, outstanding liabilities, and tax compliance
- Cashflow Predictability
- Monthly financials to spot recent trends

Why is it important?

Buyers need proof the business is profitable and financially sustainable, not just generating revenue

Impact on Multiplier

Higher EBITDA margins typically correlate with higher multiples, though this relationship varies by industry. Efficient operations demonstrate management capability and provide more cash flow for buyers.

Sector & Size

What buyers examine.

- Industry Size
- Market Position
- Company Size

Impact on Multiplier

Larger businesses within industries typically achieve higher multiples due to economies of scale, brand recognition, and perceived lower risk.

Larger businesses achieve significantly higher multiples. Companies below £2m enterprise value can trade at multiples 57% lower than those £10m-£20m in size.

Different industries command vastly different multiple ranges. Technology companies often achieve 4x-8x EBITDA multiples due to scalability, while manufacturing businesses typically see 0.5x-3x

Does it come with A.I?

Money Money Money

The Structure of the Deal

- Cash Sale: The seller is paid the total amount upfront in cash. This is straightforward and gives immediate liquidity.
- Instalment Sale: The buyer pays in agreed instalments over a set period, often with interest. Helps spread risk but requires the seller to trust the buyer will pay out in full.
- Earn-Out: Some of the selling price depends on the business meeting future targets (like revenue or profits), aligning interests but adding uncertainty about final payout.
- Shares in the Buyer: Payment may be partially or fully made in shares of the acquiring company, giving the seller a stake in the combined business.
- Seller Financing: The seller “lends” part of the price to the buyer, who repays over time with interest.
- Management Buyout (MBO) or Employee Ownership: The existing management or employees buy the business, often funded through loans or a trust structure.

Why is it important?

Seriously?

Key Insights

Buyers are looking for transferable value - businesses that can succeed without the current owner's daily involvement.

The most valuable businesses have:

- Systematic operations (not owner-dependent)
- Predictable cash flow (diverse customer base)
- Clean legal structure (no hidden liabilities)
- Growth potential (strategic fit with buyer's plans)
- Proven profitability (sustained financial performance)

This is why businesses with strong systems, documented processes, and professional management command higher valuations than those dependent on the founder's personal involvement.

While industry benchmarks provide starting points (typically 3-8x EBITDA for most lower middle-market businesses), the specific combination of these characteristics will drive your actual valuation multiple higher or lower than industry averages

Life After Sale

Exit Wounds

- 50% expect transition to be easy pre-sale
- 33% find it much more challenging than anticipated post-sale
- Only 25% find the transition easy
- Significant portion of sellers experience depression or stress
- You are unlikely to leave on day one. Most buyers want at least 12 months
- Loss of Purpose - Identity crisis after selling life's work
- Lifestyle Downshift - From 100mph to 1mph
- Working for someone else can suck

Former business owners' day out in Manchester

Questions

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