



BROWN SHIPLEY
A QUINTET PRIVATE BANK

BUSINESS OWNERS GUIDE

TOP TIPS AND QUESTIONS TO ASK
WHEN SELLING YOUR BUSINESS



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Understanding your journey: Growing, de-risking and exiting your business

When you're caught up in running your business – developing products, looking after your staff, negotiating deals – it's hard to step back and think about the bigger picture for your future, your family and your personal wealth. But it's essential. Planning ahead puts you in a position of strength.

Sharing our experience

When you're building a business, there are always challenges, opportunities and difficult decisions. When to push growth to the next level. How to control risk. How to support your families wealth. When to exit the business you've built.

The right knowledge and guidance can make a significant difference in all these scenarios and it may even be asking yourself questions you have not yet thought about.

At Brown Shipley, we've been working with business owners for decades, helping them with Wealth Planning, Investment Management and Lending. We're well acquainted with the key questions and situations that business owners face. We've created this guide to share our experience, so you can discover where the opportunities lie for your business and your personal wealth management journey.

With you for the journey

Every business owner takes their own path. That's why our partnership with you is entirely bespoke, tailored to your situation, where we take the time to understand your personal motivations and ambitions in order to support you in reaching your goals.

What makes us different is that we often engage with business owners long before they become clients. We understand the importance of building relationships and trust over time. This gives us an opportunity to show our strengths in what we have to offer you. This goes well beyond our own experience. We're also integrated within business communities and well connected. This means we're able to introduce you to like-minded individuals, business experts and other service providers, where required.

Whether you're running an established business that's creating wealth or you're thinking about selling your business, you'll find the information in this guide useful in shaping your thinking and highlighting what action to take.

In this guide

- ✓ Understanding the business growth lifecycle
- ✓ Preparing for the unexpected
- ✓ When to talk to a Client Advisor and what to talk about
- ✓ Top tips for selling your business

A woman with long hair is seen in profile, working on a laptop in a dimly lit office at night. The scene is illuminated by the laptop screen and ambient light from a window in the background. The overall mood is professional and focused.

BUSINESS OWNERS GUIDE

UNDERSTANDING THE BUSINESS GROWTH LIFECYCLE

Understanding the business growth lifecycle

Where is your business in the growth lifecycle right now? Are you expanding? Should you be thinking about de-risking? Or is now the time to sell? By understanding the typical business growth lifecycle, you can anticipate the next stage and plan accordingly. If you're not sure where your business is in this lifecycle, we can help you figure this out.

There are four key phases in the business growth lifecycle.

1 Innovation

This is the stage where you've settled on the business idea and launched it, probably with money from friends and family. In these first stages, you might be using incubators/innovation centres before perhaps finding early-stage, external investment.

2 Expansion

At this stage, you are sure it's not just a lifestyle business with limited potential. It's clear that the business has scope to grow, be relevant and be strongly commercial. Growth capital is most likely required to build the team, develop capacity, open new markets and acquire other businesses. Here, attention turns to growth rounds and further external investment. Big decisions are made throughout this phase in terms of the external investors coming on board.

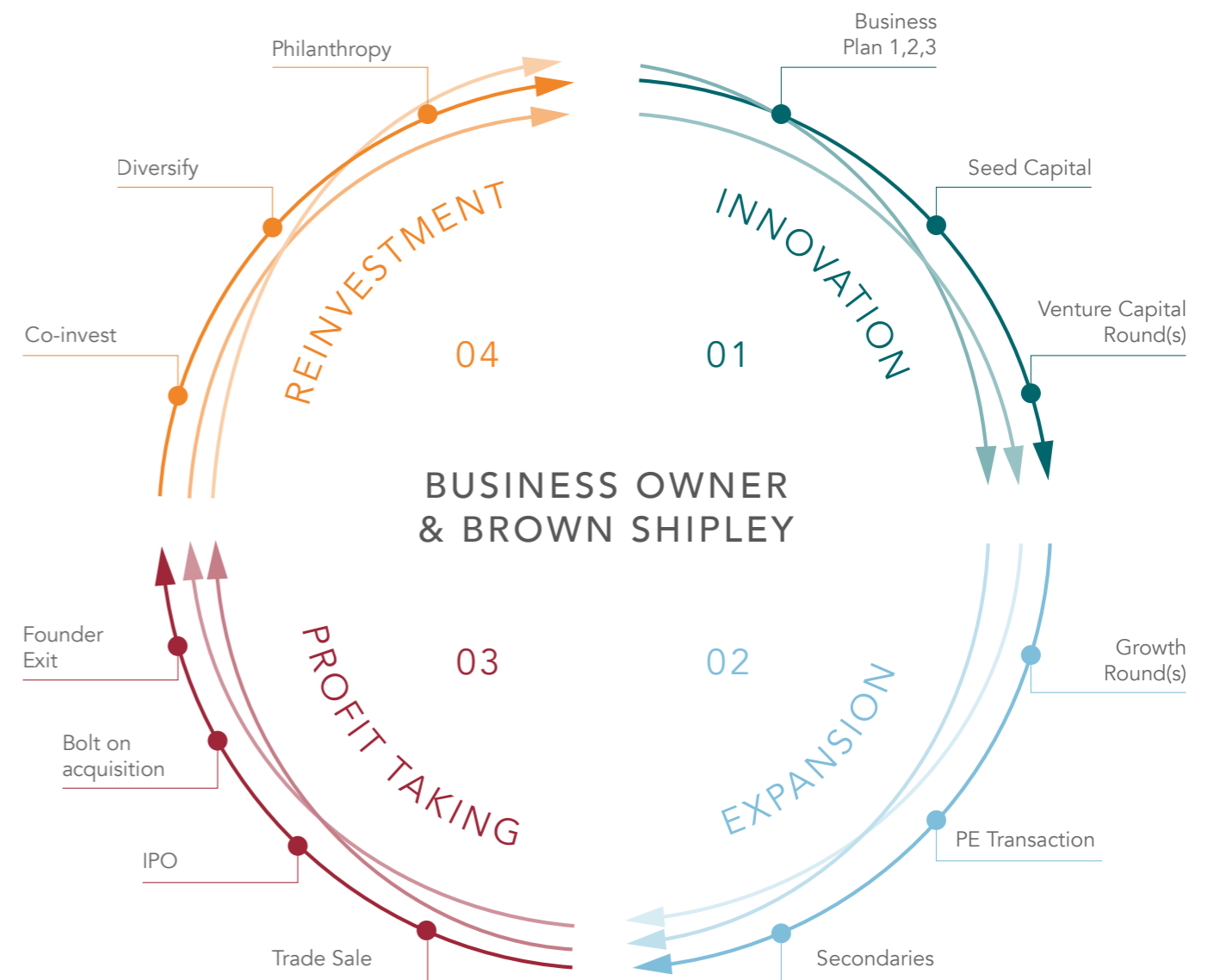
3 Profit-taking

At this point, you have reached the profit-taking phase where you may look at de-risking by taking out some of your initial investment. In this stage, you are likely to weigh up options around external management, further external investment, a management buyout, employee ownership, selling to another business or listing on the stock market.

4 Reinvestment

Finally, the reinvestment phase is where business owners think about what comes next. This might be reinvestment in new business ideas of their own, co-investment in other businesses, succession, philanthropy and diversification.

The four stages of the business growth lifecycle



Source: Brown Shipley

BUSINESS OWNERS GUIDE

PREPARING YOURSELF FOR THE UNEXPECTED

Preparing yourself for the unexpected

One thing we've learned from our clients is that business plans seldom go to plan. Wherever your business is in the growth lifecycle, your path can be interrupted at any point, both positively and negatively. Sometimes things you assume will happen, eventually happen sooner than expected. Sometimes there's an out of the blue

event, such as the pandemic. It pays to think through various scenarios, figure out what course of action you would take and put measures in place. Post pandemic, we found priorities changed for many business owners, with more realising the importance of de-risking, protecting their personal wealth or preparing their exit.

What happens if you leave things until "later"?

In a fast-moving environment where your focus is on the business, products, customers, staff and investors, you might find yourself saying you'll figure things out for you and your family "later". But by waiting until later, you might not get the best outcome for you, your family or your business. Let's look at some common experiences.

"Later" might come much sooner, with an unexpected offer for your business. Great news but is your planning in place, or how do you even quantify the attractiveness of selling versus keeping going? Or, as we have seen recently, a black swan event which totally changes the landscape.

"Later" might be after you've gone down an imperfect path – perhaps your investors don't have the same vision or time horizon as you,

but you hadn't really thought that through when you were selecting investors. Or maybe you've gone through a listing without thinking enough about what next, and what that means to you in terms of liquidity and access to cash.

"Later" might be after you realise your family isn't going to be part of your succession plan because they've set off on a different path. Or when family members, who assumed their future was in the business, find out you're planning to sell.

Equally, many business owners never encounter an event that changes everything, so they simply carry on without thinking about their own planning.





What does preparation look like?

When you have a successful business, being prepared for the unexpected must include your personal situation as well as the wider picture for your business. Your business may be asset and cash rich, but if it falters, are you protected?

You can't predict everything that might happen, but we can help you think through various scenarios and get prepared - for both the knowns and the unknowns. It's not comfortable but you have to think about disaster scenarios. "What if there's a recession? What if I have a serious illness? What if I die?" By thinking through what you would like to happen in any of these situations, you can put plans in place. So, if the worst does happen, you or your family are not scrambling to react. You can simply switch to that plan.

For risks you can foresee, you can put certain measures in place to mitigate those risks and we can help you with this. For example, you can take profit out of the business and invest it. You can put a life policy in place and hold it in trust to provide for your family.

Equally, you never know when someone might make an offer for your business. What would happen? Are you ready to sell? How do you feel about it? What would a sale mean for you and your family? Is your business prepared? There are a lot of aspects to consider and we can help you think through the options and have the right conversations. This will ensure any offer and subsequent sale will go a lot more smoothly.

For unknowns – the things you can't predict – our insight and wealth planning solutions can still help to give you a number of options. We take time to understand your lifestyle, needs and ambitions for the future and explain the options available and the benefits they offer.

In summary, by asking "what if" and thinking ahead about different scenarios, it ensures that the big decisions are planned and controlled — minimising stress and keeping you in a position of strength.

Investing puts your capital at risk.

A man with a beard, wearing a blue and green plaid shirt, is sitting at a wooden desk in a modern office. He is looking at a laptop screen and has his hands on the keyboard. The desk is cluttered with papers, a smartphone, and some colorful cards. In the background, there is a printer and a potted plant. The overall lighting is soft and natural, suggesting a bright but slightly overcast day.

BUSINESS OWNERS GUIDE

WHEN TO SPEAK TO A CLIENT ADVISOR AND WHAT TO ASK



When to speak to a Client Advisor and what to ask

It's never too early for you to have a conversation with us. We believe in building long-term relationships. The earlier you engage with us, the better we can understand your business. It gives us the opportunity to ask the right questions at the right time. For example, "Where do you see your business in three years' time?" If we know where you want to get to, we can help you start from the best possible place to achieve your aim.

Most of our clients are business owners who have grown successful businesses and built up wealth, and we've been with them for that journey, bringing in professional skills at the right time, with an end goal in mind.

Wherever your business is in the growth cycle – expanding, profit-taking or reinvestment — we can partner with you, bringing our experience to your wider financial situation. If you're growing a business for the first time, it can be reassuring to have someone independent to talk to. After all, you don't have previous experience to draw on and your peer group may not either. We've been a partner to many business owners through the highs and lows of growing businesses. We can be a sounding board for you and offer our experience to help you make decisions. We might not know the answers to all of your questions, but we'll find people who do and we'll connect you with them.

Connections that count

We have internal expertise as well as deep and diverse connections across the business community. We can connect you with lawyers, accountants, consultants, investors, corporate finance, tax specialists and, crucially, business owners that have been there and done it before. This means you have a ready-made pool of contacts and expertise to tap into.

Conversations that bring clarity

A key role we play for business owners is to have conversations that create context for decision-making. We can help you think through what's important to you and your family, and determine what part your business plays in that. From this, you can plan your course of action.

There are some common themes and questions that come up in these conversations. For example, how to maintain the business but diversify the risk. How to move forward from being a family business. How to extract or invest capital in other ways. How a wealth plan can help to support your personal wealth.

Do you have the right people and structure in place to help create an efficient, streamlined operation to maximise profit, which will attract investors? What figure would you accept, if someone offered to buy your business? How much do you need for the rest of your life? If you think of this as a family business, do your children feel the same? Have you asked them?

We have been through this process with many business owners. We know how important it is to understand your views and feelings about your business and your wider circumstances so we can offer insight that's truly helpful.

With you in challenging times

These conversations are especially relevant if you're weighing up the pros and cons of selling or exiting your business. It's a lot to think about and it can be stressful. When you're making decisions under pressure, it's not always easy to fully consider the long-term consequences. This is when an impartial Client Advisor can offer support and reassurance, enabling you to make the right decisions. If you decide to sell, we will be there to make sure you're well prepared pre deal, during the deal and post transaction. This can make a big difference financially and emotionally, keeping you in control and helping achieve what you really want to achieve.

Your financial partner

As a private bank, Brown Shipley is here to help you achieve your financial objectives every step of the way, so you and your family build the life you dream of. We provide integrated wealth management solutions that combine Wealth Planning & Investment Management aligned to your goals. We can also incorporate our flexible lending solutions to leverage further opportunities. We can tell you more about our services when the time is right.



A man with short hair, wearing a tan blazer and blue jeans, is sitting on a dark ledge. He is looking down at a smartphone in his right hand. The background is a dark, textured wall. The overall mood is professional and focused.

BUSINESS OWNERS GUIDE

TOP TIPS FOR SELLING YOUR BUSINESS

Top tips for selling your business

Selling your business is arguably one of the biggest decisions you can make as a business owner. It can be a protracted process requiring broader considerations beyond the balance sheet and getting the right price. We've created this Q&A to explore the top 10 most commonly asked questions and provide insightful tips to help you consider the bigger picture when selling your business.

1

When is the right time to sell a business?

There are many reasons, both personal and commercial, for those looking to sell their business. Some may be looking to down tools and enjoy their success and wealth. Others may want to start a new venture.

Recent events might also play a role. Until the global pandemic, many business owners may have felt their trading business was the best source of value for the long term. But after the stress and turbulence of the past few years, you might now wish to diversify your wealth and have the reassurance of taking some risk off the table.

The market environment will also be a factor. When investors, such as Private Equity and Venture Capital firms, have money to spend, it becomes more common for business owners to receive a surprise offer, which will need to be quickly evaluated.

Regardless of the reason or timing of the transaction, when it comes to selling a business, early preparation is key. There's more to this than just the practicalities. There are the emotional aspects to the sale. It can be hard to let go of a business you've poured your heart and soul into over the years. This can be especially true for family businesses. If you're looking for a buyer who will continue running the business in its current form, this might take longer to find.



2

Why do I need a Client Advisor when selling my business?

Your Client Advisor will ensure a clear understanding of your current position and most importantly your needs and priorities for the future. That means that all scenarios, including business sale, can be factored into the tailored guidance that ensures your wishes and priorities are achieved during a busy and often stressful period.

Your Client Advisor will guide and advise you through each step of the process – pre-sale, point of the sale and implementing the long-term future plan aligned to the needs of you and your family.

We can be a regular sounding board, enabling you to reflect on the professional advice you've received and helping you to ask the right questions, having been down this path with clients many times. We can be a "counsellor" to help you tease out what the future looks like post sale for you and your family, engaging on your wealth management journey well before any exit.

3

What professional support should I consider when selling a business?

Once your goals are clear, we can help you build the right advisory team for the transaction, tailored to your personal requirements. You might also consider existing advisors who have worked with you as you were setting up and growing the business. If this is outside of their expertise however, then you will need to bring together a team for the task now at hand. Alongside your Client Advisor, typically you will need legal, tax and corporate finance advisers.





4 What questions should I be asking myself when selling a business?

Crucial questions to ask yourself when considering selling your business are:

1. Why am I selling and therefore what do I want to achieve? Should I consider other means such as an Initial Public Offering (IPO) or private equity investment? It's worth being aware that there will be very different dynamics if you sell to someone in the trade versus selling to an investment company.
2. Do I want to retire and step away fully, or do I want to continue to work in a company which I partly own, or not own at all? Do I want cash or am I happy to hold shares invested in the new company?
3. Are my personal affairs in order to allow me to exit efficiently?
4. Do I place value on maximum cash out upfront or will I take a higher overall value if I defer some of the consideration in the form of loan notes, shares or future milestone payments?
5. What might this mean for the employees and management team – are they interested in buying the business? Who is the perfect buyer - is it size of the cheque or the cultural fit important to you for your former team?

5 Where to start when selling a business?

Spend time “working on your business, not in your business” ahead of selling. This can help to maximise the value of your business and lay the groundwork for what comes next. Before the likely point of sale, think about your personal long-term plans and objectives. The sales process can be busy, move quickly and bring high levels of stress, so preparation is key to ensure the best outcome possible. When you are ready to sell and personal requirements are clear, bring together an advisory team to examine options, valuation, potential buyers, enhancements to maximise value and to consider the structure of the potential deal.

6 Is a business the best way to preserve my wealth?

The only right answer to this question is the right answer for you and your family. Private business remains a hugely successful segment of the economy and the ability to create and grow wealth is clear to see. However, recessions and black swan events can change the fortunes of a business. There are no guarantees. That's why it's worth looking at all the options open to you for preserving wealth.

For many, working with Client Advisors to slightly alter the focus from being a "family business" to a "business family" creates a roadmap to explore diversification of interests, diversification of risk and creation of a wealth plan which may well still have the trading business as part, but not all, of the strategy.

You may consider de-risking for the family, as opposed to a full sale. This can involve diversifying to transfer wealth from the business to you as an individual. For example, profit extraction via pensions or increasing the level of dividends where possible. Although many business owners say "my business is my pension", pensions can be a useful tool in wealth and generational planning, and this approach can offer some protection, should the business falter at a later time.

7 Is selling my business the best financial option for me?

There is no single "right" answer. It has to start with what's important to you and your family, now and in the future?" Ask yourself "What do I want to achieve?" and "What part does the business play in that?"

There are a number of different options to consider. Maintaining a successful privately owned business through generations and handing off control when the time is right whilst maintaining income can work for many. In this situation, you would want advice on how to set up the business for sustained success over the long term. This helps to avoid the risk of "clogs to clogs in three generations" – where the majority of wealth created by a business owner is gone by the time it reaches grandchildren.

It might suit you better to bring in capital via external investment or from employees interested in taking ownership, especially if you want to stay in the business and take profit to build some personal wealth. Floating the company is a natural progression for some business owners. For others, full sale is the chosen route and cleanest exit strategy.

Only by really taking time with your Client Advisor and other advisors can you be clear on your priorities. These conversations will enable you to properly assess the options in a way that will drive the best outcome for you.



8

What are the tax implications when selling a business?

When selling a business, taxation is a big consideration given the ever changing tax regimes. Changes to Capital Gains Tax rates, business owners' relief, business asset disposal relief and investor relief mean that the tax environment at the point of sale will be difficult to predict.

It's certainly true that you should never let potential changes to the future tax environment drive decisions that would otherwise not be made. Once the decision to sell is made, it's critical that you obtain professional tax advice and undertake appropriate tax planning. This will create the most efficient exit strategy and the right structure for your wealth post sale.

Understanding the type of tax that will be due, when it will need to be paid and any relief available is the minimum requirement. Planning and managing your position to control those aspects is achievable and desirable.

Your trading business is likely to be exempt from inheritance tax. The definitive position on this will be decided by your local inspectorate of taxes when it becomes due. When it is sold for cash, the proceeds are immediately inside your estate and these are potentially subject to 40%* tax upon your death. Structuring and managing your wealth pre and post sale is essential, and this is something a Client Advisor can help with.

9

Is selling a business considered capital gains?

Yes – proceeds from the sale of a business are subject to capital gains tax, although relief or lower rates of tax may apply depending

on individual circumstances. Planning before the sale to understand and make use of such relief is important.

10

How is the sale of a business structured and what options are available?

The sale of a business can be structured in many ways to suit both the seller and the buyer. Offers can be made as cash, cash plus shares in the new company, cash plus loan notes, upfront payment, plus deferred sums subject to hurdles or performance expectations being achieved.

In many cases the buyer will want to take advantage of the expertise of the seller. It is very common for an earn out period to be built into the sale agreement, meaning that the seller continues to work for a period of years post sale to ensure a smooth transition. Be ready for the emotional hit of not being in charge of "your" business any more! It can be a difficult adjustment to make.

Management buyouts and employee ownership are becoming increasingly common, whereby external capital is raised to support the transition of ownership to the employees of the business. Many business owners also see this as a way to protect jobs and pass on control as a key part of their legacy (and one which may be more important than price alone).

Tax implications can be very different depending on how the company sale is structured and it is important to take early professional advice to achieve the best outcome.

We recommend that you seek professional tax advice to understand your personal tax liabilities. This will depend on personal circumstances and the prevailing tax rules, which are subject to change. Tax planning is not regulated by the Financial Conduct Authority or the Prudential Regulation Authority.

*Applicable as at time of issue.





Let's talk

Whatever stage you're at with your business, we'd welcome a conversation with you.

We've seen the difference it makes when business owners engage with us as early as possible.

By working with us, you can leverage our experience, our contacts and our wealth management services to create a more profitable, more valuable and more enjoyable business, plus wealth protection for you and your family.

Please contact us to discuss your particular requirements.

Visit brownshipley.com/contact.

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Investing involves risks and the value of investments may go up or down. Tax treatment depends on your individual circumstances and are subject to change.

Lending is subject to status.

Information applicable as at time of issue.



Talk to us

Please contact us to discuss your particular requirements.

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