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Welcome to this monthly series for business owners, where I aim to demystify the corporate market and highlight trends in a non-technical manner.

For a further discussion on any of these topics, please contact me on:

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Sale or PE? Which will deliver the best value?

The choice for those outside the corporate finance community, is often shrouded in mystery. Where will I get the best price? What will each of these deals mean in practice? Many experienced private business owners don't have previous experience of different deal types, and sometimes don't like to ask the obvious questions.

Trade sale is typically more straightforward, with cash on completion, supported by deferred money, or earn out. However, the buyers will typically impose their own culture, and often management's, which can be disruptive for both sellers and employees. If there are synergies and growth opportunities however, a trade deal can provide management and finance, and increase the target's value.

Private Equity involves both a sale transaction, and an investment agreement, to regulate the relationship between the PE House and the management team. PE may pay more and will be attractive where the target company can grow quickly, contains ambitious managers, or is capable of consolidating a sector. The quality of the management team is always decisive for PE.

PE will look to generate investment returns, typically in 3 to 5 years, whereas trade can take a longer view. PE will also bring expertise and business connections beyond that of most

businesses, often introducing senior non-executive directors, who can bring invaluable experience. PE are also more likely to perverse the culture and leadership of a target business, while a large trade buyer is more focussed on the combined buyer group, than the individual target business.

If you would like to discuss any of these themes further, please get in touch and let us know the PE House and management team:

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