

## Case Study: Management Buy-Out

By Mike Cass

<b>Turnover:</b>	£700,000
<b>Requirement:</b>	£1,300,000
<b>Sector:</b>	Dentist
<b>Location:</b>	Greater London
<b>Incorporated:</b>	2013

A dental surgery management team had the opportunity to buy this successful business from the current owners who were looking to retire. The owners had initiated a formal tender process for best offers through a business sales agent. This involved the buyer positioning not only the purchase price but proof of funds. Whilst the management team were a preferred buyer, the vendors were price sensitive due to this being a key contributor to their retirement.

### WHAT WAS THE CHALLENGE?

The profitability of the business meant that it had a great deal of interest from a range of buyers. The management team whilst having had a reasonable lead time on the auction had initiated the borrowing enquiries quite late in the process leaving only ten days to seek a concrete lending offer. The challenge therefore was to achieve a formal offer with a great APR and in a timely manner.

### RESULT

The combination of very healthy profit levels in the business and security from the management team meant that they were able to access two lenders who were keen to compete for the lending opportunity.

The management team wanted to have the longest payment terms possible in order to reduce the monthly impact on their cash flow. A ten year term with an amortising payment schedule was achieved (i.e. they made both repayment and interest payments). This enabled two outcomes for the business - firstly the future profits of the business could empower them to buy the business over a ten year period creating a valuable asset for the management team. Crucially though it also enabled them to be able to increase their own salaries so there was an immediate benefit to them on purchase.

**Best of all these funds were secured at an APR of just 3.4% locked for ten years !**