KINGSLEY NAPLEY

YOUR PERFECT EXIT

a commercial and legal guide to selling your company

INTRODUCTION

Every successful business has a story - and yours is truly unique. So when the time comes to sell, we know that the deal is not just about numbers and negotiations.

It's also about recognising the years of dedication and sacrifice you have made, protecting your team's (and your family's) future and ensuring your legacy continues to thrive.

In our experience, the difference between a good exit and a great one often comes down to preparation, timing, and having the right team in your corner.

Our M&A team has guided countless business owners through this pivotal journey. Our track record spans industries and deal sizes, and what truly sets us apart is our approach. We don't just have the technical expertise you need, but also a genuine understanding of what's at stake. When you work with us, you'll find real people who listen first, then act. Who speak your language, not just legal jargon. And who will help you carefully think through every decision and protect what you've spent so long building.

We have written this guide to help you understand what needs to happen at every stage of the transaction. We hope it is of assistance to you, and would be very pleased to discuss any aspect of selling your business with you.

Good luck!

PREPARING FOR A SALE

It is often said that you can never start planning the exit from your business early enough. From the very start you should always have one eye on the end game.

When the opportunity to sell does come along, it is important to make the most of it, no matter the outcome. Whether you actually go through with a sale or not, the planning process itself will often identify shortcomings that, if addressed, will ensure that your house is kept in good order and protect the value that you are building in your business.

You will need to consider what can be done to make the business as attractive as possible for potential buyers. Some of these actions may take some time, such as installing a management team that understands the business and is willing and incentivised to move with it on its sale. Others can be relatively quick to implement.

One of your first steps should be to consider which aspects of the business a potential buyer and their advisors might want to review as part of their due diligence exercise. The nature and materiality of these items will vary from business to business. You should put yourself in the buyer's shoes and think about what you would want to know to determine whether to proceed and to how much to pay.

Once you have identified these areas, consider whether any of them are deficient or irregular.

- Are all your key customer and supply contracts properly documented?
- Do your contracts reflect the current terms on which you are doing business?
- Can you evidence ownership of, or long-term rights to enjoy and exploit, any key assets?
- Can you identify any exceptional items or lifestyle factors affecting your accounts?
- Are your employment contracts and business policies up-to-date?
- Is your intellectual property protected?
- Are your Companies House filings in good order?
- Are there any steps you need to take to fill any gaps in the business - such as new employees, new machinery or even an acquisition of another business to give access to a new geography or product line?

Separately, you should also consider whether there are any assets held by the company that owns the business that you would like to retain personally, such as real estate, vehicles or other personal assets that the business doesn't need for its current operations. If you are to looking to sell the company rather than its business and assets, you should consider when and how to extract these assets from the company, since doing so will likely impact on the accounts being considered by any proposed buyer.

By identifying these potential issues in advance, you can address any deficiencies, highlight any anomalies, and remove any barriers to the sale, and ensure the transaction proceeds as smoothly and quickly as possible.

DECIDING ON THE RIGHT SALE STRUCTURE AND BUYER

As you get closer to starting the sale process, your professional advisors will need to start guiding you very carefully. One of the first decisions you need to take is whether the shareholders should sell all the shares in the company that owns the business, or whether the company itself should sell its business and assets.

Whilst the legal effects of each structure are very different, the commercial result is very similar. It is usually the different tax implications of each of the structures that determines which is the preferable structure.

SHARE SALE

When shareholders sell all their shares in a company, the buyer acquires the company itself, including all its rights and obligations (e.g. historic and current liabilities, any contractual prepayments as well as any tax losses which may have value).

A share sale is simpler as a structure, because only one asset is being sold, and the company's business can continue to operate without any complexity. However, the risks for the buyer are increased, and they will need to mitigate this through the due diligence process and the inclusion of more detailed warranties and indemnities given by the sellers.

ASSET SALE

When the company sells its business and assets, the buyer acquires specific assets and rights and assumes responsibility for certain liabilities of the business. The sale agreement will divide the assets and liabilities into those that are sold and those that are to remain with the selling company. Typically, a buyer will want to leave most liabilities with the seller but certain items pass to the buyer automatically (e.g. liabilities for employees).

Assuming that the business and assets are sold as a going concern, and certain HMRC boxes are ticked, no VAT is payable on the purchase price but if real estate is being sold there may be stamp duty land tax to pay on its value.

You will also wish to consider what type of buyer are you looking to attract. Whilst to a degree, this will depend on prevailing market conditions, there are pros and cons to the traditional routes of selling either to another trading business or to private equity.

PRIVATE EQUITY

With a private equity sale, you (or your management team) may be asked to continue running the business, but you would likely have a backer with deeper pockets and a greater appetite for risk when it comes to future growth. A sale to private equity will also will normally allow (or require) you to roll-over some of your proceeds into the buyer in order to align your interests with theirs for when you exit the business together in due course.

TRADE SALE

With a trade sale, a seller will often receive greater value on day one (or shortly thereafter) and can offer flexibility as to whether you, personally, wish to remain with the enlarged group. The buyer will understand the market and have identified strategic benefits of the combined businesses and they will focus on these longer-term aspects rather than the opportunity for high growth and short-term return. Management buy-outs are more like a trade sale, but slightly simpler as there is an expectation the management team will understand what is going on in the business.

An increasingly popular third alternative is to sell to an employee ownership trust, allowing your current and future employees to benefit from the future success of the business. You should be aware that payment for the shares is usually made over a longer period because, in effect, it is the company that generates the funds to buy them. This deferred payment structure may not be of concern to some sellers, given the tax and other advantages it brings.

THE IMPORTANCE OF EBIDTA

EBIDTA is an acronym for earnings before interest, taxes, depreciation and amortisation, and has become the commonly used way to value a business.

As a financial metric, EBIDTA disregards the amount of debt the business is carrying, the taxes it is paying and the extent to which its tangible and intangible assets are being depreciated.

Using EBIDTA in pricing provides a clear picture of a company's operational profitability, and helps prospective buyers or investors evaluate a business's core earnings capacity.

It also makes it easier to compare different businesses in different locations with different tax rates using this measure.

(It's worth noting that EBIDTA is not normally included in a company's profit and loss account because it is not a metric recognised by generally accepted accounting principles as a measure of financial performance).

For M&A transations, EBIDTA will often be the metric applied to determine the cash and debt free price of a target business (with an accepted multiple; the multiple itself will usually reflect the underlying health not only of the target business itself but also the industry in which is operates).

The EBIDTA will often be adjusted - for example to add back seller lifestyle expenses or factor in possible synergies. This can make a significant difference to the consideration (the deal's value) actually received when the multiple is applied.

EBIDTA (which does not add depreciation into the calculation) is also often used in relation to the determination of earn-out consideration, which is discussed further below.

APPOINTING YOUR ADVISORS

Appointing the right professional team is key to the sale of your business. You probably have existing relationships with advisors, but it is important to consider whether your current team has right skills and approach to make sure the exit proceeds smoothly and achieves your objectives.

When choosing a professional team it is important to focus on their experience and approach to transactions, as well as ensuring they have the correct resources to get deal done speedily and with as little impact on your business as possible – and that they are people you can work with under pressure.

Cost is of course a concern, but as with anything in life, simply choosing the lowest bid may prove an expensive mistake, as the team may not have the experience or resources to achieve the best result for you. Choose a team that is efficient, approachable and pragmatic. One which will make sure you get the transaction closed, on time and on budget, and will make sure you get paid and don’t have to deal with any disputes or issues after the sale.

CORPORATE FINANCE EXPERTS

They will be a key appointment, because their role includes helping you prepare the business for sale, working out the right target price, finding a buyer, modelling for completion accounts and earn-outs and helping to manage the relationship between the parties.

By choosing the right corporate finance team you will be maximising your chances of a smooth transaction and achieving the best price.

LAWYERS

A lawyer’s role is to support you through the legal side of the process, ensuring you understand what is required of you, what you are signing up to and where the risks lie.

Your legal team will also seek to minimise the burden placed on you by the legal due diligence and disclosure processes, and advise you on whether or not what you being asked for is commercially reasonable and in line with market practice.

ACCOUNTANTS

You will need to appoint accountants who are experienced in tax and accounting due diligence and disclosure. It is particularly important to make sure the team are able to provide clear replies to any enquiries and minimise the amount of unnecessary further questions.

OTHER ADVISORS

Depending on your industry and the nature of the deal you may require other advisors, such as regulatory consultants. Your legal advisors will be able to advise on this.

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HEADS OF TERMS

Once the broad commercial aspects of a deal with the buyer have been agreed, it's sensible to put together a Heads of Terms document (also known as "Heads"). This will address the main commercial and legal bases which the parties understand and are prepared to move forward with.

The aim of the Heads is to ensure that the parties are on the same page as to how the deal will look, and help to avoid any material disagreement as to the structure of the deal further down the track. While this may require difficult discussions at the start of the process, if everyone is clear on what the deal will look like at completion it will lessen the likelihood of the sale aborting later on due to significant disagreement on the big issues. Heads therefore operate as a potential costs-saver, by preventing professional fees being incurred when the parties each have different ideas as to the deal they are entering into.

The Heads are therefore indicative of the parties' intentions at the start of the process. For this reason, they are not usually legally binding, except for specific aspects such as confidentiality, parties being responsible for their own costs, the governing law and jurisdiction provisions relating to the Heads and any other specific points that the parties may agree.

Issues most commonly addressed in the Heads include:

TRANSACTION STRUCTURE

Who are the sellers? What are they selling? (either shares - and if so what class and how many? Or specific assets, and if so, these should be clearly defined to avoid ambiguity) If it is a share sale, are there any subsidiaries, and do they also form part of the deal? They will unless stated otherwise.

TRANSACTION STRUCTURE

What is the purchase price? Is it fixed or are there variable elements such as completion accounts or earn-outs? How it is being paid? (e.g. cash consideration or shares issued as consideration or a mix of the two) When is payment due? (in full at completion or in tranches over time and/ or determined by variable elements) – see our "types of consideration" box for more information on common forms of payment (See 'Types of consideration').

ASSUMPTIONS & CONDITIONS

Has the deal been agreed on the basis of specific assumptions about the target business? Are there any agreed conditions to the deal?

ONGOING SELLER INVOLVEMENT

If the sellers will remain in the business for a period of time, either as employees or under an earn-out arrangement, what will their roles be? How will the target be managed during the earn-out period and will the sellers have any protections to ensure that the target is run in such a way as not to minimise their earn-out payments?

CORE WARRANTY LIMITATIONS

Such as time limits for bringing warranty claims, or monetary caps applied to those claims. It may also include knowledge qualifications, particularly relating to disclosure.

DILAPIDATIONS

Dilapidations refers to any damage or disrepair of the business' properties, and this can represent a significant cost. Who will settle these and what control they will have over the process should be confirmed in the Heads.

HEADS OF TERMS (CONTINUED)

DUE DILIGENCE, WARRANTIES & INDEMNITIES

The scope of the due diligence that will be carried out, and how the risks will be addressed through warranty and indemnity cover, either from the sellers or insurance.

TIMETABLE

When the parties expect the deal to complete and any key milestones along the way.

EXCLUSIVITY

Does the seller grant the buyer a period of exclusivity within which to progress and/or complete the deal?

The detail of these structural concepts can be set out in the Sale and Purchase Agreement, but ensuring that these issues are addressed at the outset of the matter can contribute to a smoother sale process.

TYPES OF CONSIDERATION

The consideration is the value that the buyer transfers to the seller. Simply put, and in most common cases, the consideration reflects how much the buyer spends to purchase the business or assets.

Completion Cash: The simplest form of consideration, where a fixed price is paid in cash by the buyer to the seller in full on completion.

Deferred Payment: A fixed amount which is paid (in one or a number of instalments) by the buyer on a future date following completion. This payment is usually unconditional save for the passage of time.

Completion Accounts Adjustment: In the share purchase agreement the parties will agree an estimated amount for cash, debt and working capital at completion. Following completion, completion accounts are prepared and there is a process for those accounts to be agreed and determined between the parties. To the extent that the actual cash, debt and working capital at completion differs from the estimated figures included in the share purchase agreement there is an adjustment payment by the buyer or the seller as applicable.

Locked Box Adjustment: The parties agree the purchase price based on the accounts of the target company as at the locked box date being an agreed date prior to completion. If there is any leakage (i.e. an extraction of value by the seller) between the locked box date and completion, the seller will be required to reimburse the buyer.

Earn-Out: An amount is paid by the buyer on completion and in addition the buyer will make one or more further payments to the seller in the future based on the financial performance of the target company during a set period following completion, known as the earn-out period.

THE IMPORTANCE OF DUE DILIGENCE

Due diligence is an essential process within the transaction, as it enables the buyer to identify potential risks, liabilities and opportunities and ensures they are properly informed about the target business.

While the due diligence phase can be a time consuming process for sellers, it sets the tone for the transaction and can reduce any burden when drafting the disclosure letter later in the process (see ‘The Disclosure Letter’).

A key advantage of preparing for due diligence is the ability to anticipate and address potential buyer concerns in advance. By understanding areas where the buyer may seek an indemnity or seek to negotiate the purchase price, you can strengthen your negotiating position. For example, if a buyer is likely to find concerns such as fluctuating revenue or minor legal disputes, addressing these candidly can help maintain trust while controlling the narrative.

Due diligence also plays a key role in a thorough and effective disclosure process as you can proactively identify potential areas where disclosures may be required, such as financial liabilities, contractual obligations or pending litigation.

Good due diligence will investigate the following areas of the business:

LEGAL

It is necessary to review all contracts (both internal, such as employment contracts, and external, such as supplier and client/consumer contracts), as well as the business' corporate governance and compliance records, to ensure that they are in good standing and to understand if the transaction will impact any agreements or relationships. A business with clear, up to date records and appropriate contracts in place shows good management and can reduce perceived risk.

FINANCIAL

You should ensure that financial statements are up to date, accurate and aligned with appropriate accounting standards. Clean and well-organised financials can enhance the credibility of the business and reassure the buyer as to its' financial health and stability.

OPERATIONAL

The buyer will evaluate the efficiency and sustainability of business operations and if there are opportunities to improve and streamline processes to eliminate unnecessary costs. Clear and organised documentation and processes can help build confidence with the buyer.

COMMERCIAL

You can use this opportunity to highlight strengths and potential growth of the business. Presenting a strong market position and avenues for growth, can make a business more attractive. Highlighting unique value propositions and recent market trends favouring the business can help to demonstrate room for expansion and profitability.

The due diligence process should be seen as an opportunity to be transparent about the business, address potential issues and enhance the business' perceived value. Proactive preparation can help to streamline the process and present the business in the best light possible.

It is usual for the sellers to set up a virtual “data room”; a secure space where documents are kept and shared with specific people, such as the buyer, the lender and/or the W&I insurer plus their advisors. You, your team and advisors (usually the lawyers) will be responsible for managing the data room, uploading documents and controlling access.

THE SALE AND PURCHASE AGREEMENT

The sale and purchase agreement (or "SPA") is a key, if not the key, document, in the transaction process.

In essence, this sets out the detailed terms applicable to your transaction.

Its main purposes are to:

1. document, in a definitive way, the basis of the transaction, what is being sold, to whom and for what price;
2. specify any conditions required to complete of the transaction, such as obtaining shareholder consent or regulatory approval;
3. allocate risk between the parties; and
4. protect against post-completion competition from the seller.

The structure of the sale process can have a significant impact on how and when the SPA is drafted.

In most voluntary share disposals, the seller has a choice between two main routes to sale, and the seller's corporate finance advisors advise the seller as to which route to take. Much will depend on the state of the market and also nature of the potential buyers. In certain circumstances, setting up an auction process will generate sufficient competitive tension to bid up the price and hence yield a better outcome for the seller.

The two routes are:

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A BILATERAL TRANSACTION, IN WHICH THE SELLER DEALS WITH A SINGLE PROSPECTIVE BUYER

In a bilateral transaction, work on preparing the first draft of the SPA can begin at any time after you and the buyer have reached agreement in principle on the key commercial terms of the deal, and have instructed legal advisers to advance the transaction process. Drafting and negotiating the SPA often runs concurrently with other key transaction phases including the buyer's due diligence investigation and your disclosure exercise. In bilateral deals, the buyer's solicitors usually produce the first draft of the SPA and it tends to be weighted towards the buyer's position as a result.

02

AN AUCTION PROCESS, WHICH INVOLVES THE SELLER SEEKING BIDS FOR THE TARGET COMPANY FROM SEVERAL PROSPECTIVE BUYERS IN A COMPETITIVE TENDER PROCESS

When the transaction involves an auction, the seller controls the sale process and so their solicitors typically draft the SPA. As a result, the first draft of the SPA for a sale by auction is generally more seller-friendly than in a bilateral sale, with less onerous seller warranties and more extensive limitations on liability.

THE SALE AND PURCHASE AGREEMENT (CONTINUED)

WHAT IS INCLUDED IN AN SPA?

The key provisions of a SPA, some of which will be subject to detailed negotiation, are the following:

- The parties
- Conditions to completion
- Price paid for the shares (and whether it will be cash, an issue of shares in the buyer to the seller or some form of debt instrument issued by the buyer, such as loan notes), including any deferred consideration (which may be contingent on the target business achieving agreed revenue or profit targets postcompletion) or price adjustments typically based on the financial condition of the target company at completion (Please refer to the section on 'Types of Consideration' and 'Heads of Terms')
- Completion mechanics
- Warranties and indemnities to be given by the seller
- (see 'W&I Insurance')
- Limitations on the liability of the seller under the warranties
- and indemnities
- Tax covenant
- Restrictive covenants to be given by the seller to the buyer
- Confidentiality obligations and restrictions on making announcements about the transaction.

If the target company has more than one shareholder, it is usually necessary to include each shareholder as a party to the SPA for the purpose of recording their agreement to sell their shares to the buyer, and undertaking any other seller obligations or liabilities that the buyer requires.

Where there are multiple sellers, it will be necessary to identify whether all the sellers are assuming the same obligations and liabilities under the SPA and, in particular, whether they are all fully participating in giving warranties to the buyer. The SPA should also set out the basis of the sellers' liability for any shared obligations or liabilities including, in particular, their liability under the warranties and indemnities for the benefit of the buyer.

In a share purchase transaction, the buyer acquires the target company subject to all its liabilities, whether past, present or future, and whether known or unknown. However, as the caveat emptor principle applies, the buyer receives little common law or statutory protection concerning the target shares, or the nature and extent of the target company's underlying assets and liabilities. Therefore, it is usual for the buyer to seek contractual protection in respect of these matters by including extensive seller warranties and, in some instances, indemnities in the SPA. The seller warranties, which are typically set out in a separate schedule, take the form of express statements or assurances made by the seller about both its title to and right to transfer the sale shares and detailed aspects of the target company's business, assets and liabilities.

Warranties are generally given at exchange of the SPA, but if the transaction involves a split exchange and completion, the buyer typically expects them to be repeated up to and at completion If it later transpires that any of the warranties were untrue when given, subject to any agreed exclusions or limitations set out in the SPA, the buyer can bring a contractual claim for breach of warranty against the seller to recover the loss caused by the breach.

In addition to the warranties, the buyer may also require the seller to provide an indemnity relating to specific issues or identified risks that have arisen as part of the buyer's due diligence investigations (see 'Due Diligence') and which it expects the seller to cover.

THE SALE AND PURCHASE AGREEMENT (CONTINUED)

W&I INSURANCE

Warranty and indemnity ("W&I") insurance allows sellers to protect themselves from post-completion claims by the buyer. It is increasingly common, particularly in transactions where the management team are sellers but will stay with the business.

The typical W&I insurance structure is that the buyer will obtain insurance against the warranties and the tax covenant included in the SPA and agree a cap on the sellers liability for those risks of £1. The insurer will waive its right of subrogation. The cost of the policy is deducted from the cash payable to the sellers on completion.

Premiums vary depending on the cover written, industry and how much unwritten capacity there is in the insurance market. For a typical commercial business we would expect to see premiums between 0.6% and 1% of the cover written (sometimes plus Insurance Premium Tax).

W&I insurance can provide significant comfort to sellers that they can spend their proceeds without having to worry about claims from the buyer. However, it is not a silver bullet. For example there are some tax risks which insurers will not cover and commercial matters which are subject to indemnities would not usually be covered. Insurers may also refuse to provide or limit cover on specific warranties if they are uncomfortable with the drafting. This leads to negotiations as to the sellers liability for relevant warranties.

W&I insurance can significantly de-risk the transaction for sellers, and it is worth considering whether the peace of mind it brings is worth the premium.

THE DISCLOSURE LETTER

As well as the SPA, another key document in the sale is the disclosure letter. This is a letter from you to the buyer disclosing any matter which could make a warranty in the SPA untrue.

If such a matter has been properly disclosed in the disclosure letter, your buyer cannot sue you for the breach of warranty. The disclosure letter is therefore an important protection for any seller.

The disclosure letter is typically divided into the “general disclosures” and the “specific disclosures”.

GENERAL DISCLOSURES

General disclosures include information which is publicly available and your buyer should be able to discover itself (by making online searches at Companies House or the Land Registry, for example). For instance, if you have warranted that all Companies House filings of the target business are accurate and complete, and the Companies House records of the target business are generally disclosed and show that a previous filing was missing or incorrect, the buyer will not be able to sue you for the breach of this warranty.

SPECIFIC DISCLOSURES

Specific disclosures are disclosures of specific matters which relate to your business and are made by reference to the warranties. For example, a common warranty is that there is no ongoing, threatened or pending litigation involving the target company, and no circumstances likely to result in such. If you had received a written complaint from a customer that you believed may escalate into a claim, the details of this complaint would need to be disclosed in the disclosure letter, with reference to a copy of the written complaint in the data room.

While the general disclosures are usually negotiated between the solicitors, with minimal involvement from you and your buyer, the specific disclosures will require much more input from you (and, if required, various members of your management team).

The specific disclosure process normally involves a long call between the seller and its legal advisors, in which each warranty in the SPA is explained and explored to understand if there are any matters which may make that warranty untrue. On this call, it is important that you identify any matters that need to be disclosed. Your advisor should provide examples of matters that may breach the warranty, and ask questions which prompt you to think about relevant issues and refer to information you have already provided in the due diligence replies/data room.

Using the information provided on this disclosure call, a first draft of the disclosure letter will be prepared. This may need to be updated if the buyer asks for additional information on any issues disclosed, if the warranties are amended during negotiations of the SPA or if new issues arise before completion that would constitute a breach of warranty.

The aim of this process is to ensure that any matter that could potentially breach the warranties is fully and clearly disclosed. Once you are satisfied that all relevant issues have been addressed, the disclosure letter will be finalised.

CLOSING THE DEAL
This is the exciting – and nerve-wracking moment!

Once all of the documents have been agreed between the parties they will be circulated for signature by the respective parties.

Historically this might have involved all of the parties being in a room together and signing physical copies of the documents in wet-ink. However, nowadays the signing is usually done electronically using a platform such as DocuSign.

Some of the documents will need to be signed by the parties in the presence of a witness, for example if any of the documents are being signed as a deed. A witness should be independent and, even if a party is signing via DocuSign, must be physically present with the signatory at the time of signing. It is important that witnesses promptly complete the Docusign to confirm they have witnessed the execution of the document to allow closing to proceed. It is surprising how they will often not do this for some hours unless chased.

Once documents are signed each party's signed documents are held to their solicitor's order pending completion. In addition, one of the parties' solicitors will be holding any monies which are to be paid by the buyer on completion.

If the monies are being held by the buyer's solicitor, it will undertake to pay the your solicitor following completion. If however the monies are being held by the your, it will wait for the order of the buyer's solicitor upon completion to release it.

Once the documents are signed and the monies are in place the parties' solicitors (and those of the buyer's funders where relevant) will have a completion call to agree completion of the transaction.

For a simple transaction this can be a relatively informal process, but for more complex ones there may be a detailed steps paper to ensure everything happens in the correct order. Once this call has completed each of solicitor will let their client know that the transaction has closed.

SPLIT EXCHANGE/COMPLETION
Although they often occur simultaneously, the "exchange" and "completion" are two distinct stages in the transaction process.

"Exchange" typically involves signing the transaction documents and the parties making a legal commitment to proceed. "Completion" refers to the formalities to conclude a transaction for example delivering executed stock transfer forms in a share sale.

Split exchange and completion can be necessary where regulatory approvals are needed or condition precedents (for example, financing arrangements) need to be satisfied. The delay enables parties to meet their respective obligations with the assurance that there is a binding commitment to the transaction.

There are a number of potential risks with split exchange and completion, notably that the seller remains responsible for the business until completion, and the parties should take care to carefully manage their obligations during the gap between exchange and completion and ensure that the time between exchange and completion is no longer than necessary. The longer the delay, the higher the risk of changes in market conditions and unexpected events potentially impacting the deal.

A split exchange and completion, while sometimes necessary, requires careful planning and risk management from both parties to ensure a smooth transition and successful deal closure.

POST-COMPLETION

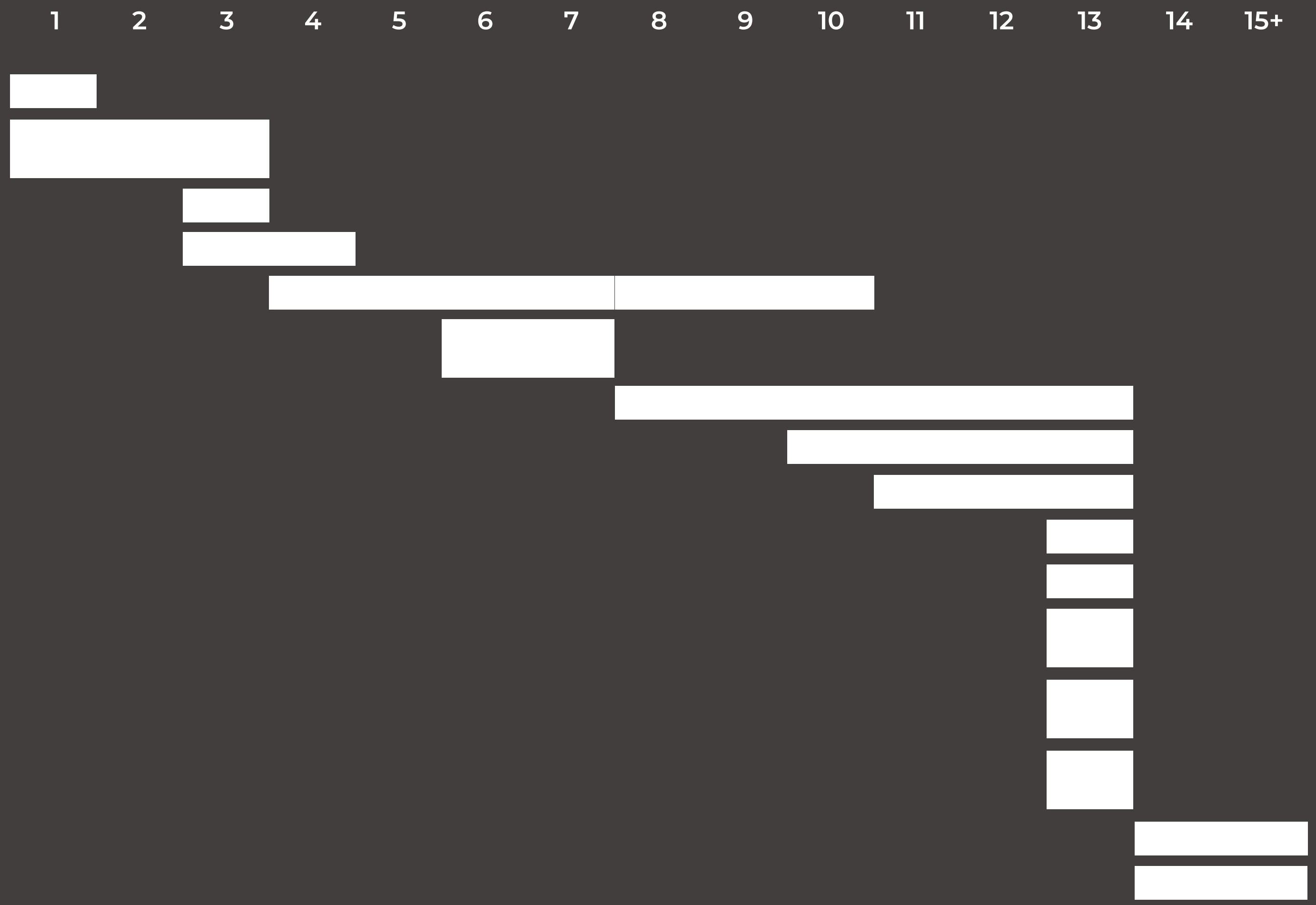
Closing of a transaction often comes as a huge relief to sellers – all of the stress of the deal ends, and they have received potentially life changing sums of money. But it is vital to get the right advice about what comes next.

A good advisor does not end the relationship with you once the deal has closed. They will continue to support you throughout your post-transaction life.

After an exit it is crucial to consult with independent financial advisor who is experienced in helping people who have had significant capital events. The right advisor can model the recurring income which can be generated from your proceeds and advise on how best to invest them. This is crucial, because sometimes sellers end up losing significant proportions of their proceeds – often through failed property development or lending projects.

Consideration should also be given to tax planning, especially if you are thinking of making a gifts to your children or thinking about inheritance, and to updating other legal documents such as wills and lasting powers of attorney. You should seek a private client lawyer who is experienced in advising sellers to ensure their legal affairs, while a conveyancing specialist will can be able to assist you with any property investments you may wish to make. We can recommend excellent private client and conveyancing lawyers from our firm to advise on these matters.

APPENDIX: TIMELINE OF A SALE



Appoint advisors to assist with preparing to sale (e.g. lawyers, corporate finance advisors, etc)[1]

Preparing for sale (tidying up key known issues such as, ensuring core customer/supplier contracts, employee contracts and leases are properly documented; removing lifestyle issues, etc.)[2]

Overarching commercial deal agreed with the buyer

Negotiating and agreeing heads of terms

Buyer undertakes due diligence (legal, financial, regulatory, etc.)

Buyer's lawyers draft sale & purchase agreement (inclusive of warranties and indemnities covering customary issues and specific matters identified in due diligence)

Negotiation of the sale & purchase agreement

Disclosure - seller's lawyers draft disclosure letter

Negotiation of the disclosures against the warranties contained in the disclosure letter

Sale & purchase agreement in agreed form

Disclosure letter in agreed form

Circulation of documents for signature (typically by Docusign) - Held to order pending instructions to progress to exchange/completion

Exchange - execution of the purchase agreement, delivery of the disclosure letter, exchange formalities including paying of any exchange payment[3]

Completion - once all documents are signed and parties provide instructions to complete, lawyers conduct completion call or meeting and completion is confirmed, any consideration due is paid[4]

Post-completion - Buyer pays any stamp duty, undertakes relevant companies house filings, etc.

Post-completion - Seller implements or takes advice on onward plans for consideration received.

[1] Corporate finance advisors may be appointed some time earlier to help with preparing the business for sale and finding the buyer
[2] May commence some time earlier to allow for significant restructurings or similar
[3] Exchange and completion are often simultaneous
[4] Or following satisfaction of conditions to completion, if there is split exchange and completion

If you are considering the sale of your business, or would like to discuss any aspect of the sale process, our team would be delighted to speak with you.

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