



Maximising value on exit

Automotive sector

Open up the secrets of maximising your disposal proceeds.



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How can I maximise the value of my dealership on exit? We're often asked this question by business owners who are contemplating an exit. Regardless of the business climate, there are a number of things you can do to help increase the value of your motor business while preparing it for sale.

TIMING

It is true to say that in many things, timing is everything and disposing of your motor business is no exception. Judging the correct moment against a backdrop of varying franchise performance, economic factors, levels of future investment, franchise expiry dates (if on fixed contracts) and the business/owners' needs can make this one of the more complex decisions and having the right advice is critical.

PREPARATION

Preparing a business for sale is often one of the most neglected aspects of a disposal process. Yet a well-executed plan will, ideally, contemplate a period of four to five years leading up to an exit. Typically there are many aspects that can assist to ensure that the business is presented in its most attractive way, as well as ensuring that any subsequent sales process runs smoothly and to time. For example, a particular focus on balance sheet and working capital management can significantly enhance the prospects of success.

VALUATION

Understanding latest pricing trends, multiples and methods is essential to obtaining a true feel for the current value of your business.

PRESENTATION

A picture tells a thousand words. Presenting the business in a manner that is attractive, concise and easy to follow is essential if you are to

attract the attention of an acquirer who is likely to be short of time, and will often make a very quick decision as to whether there is any interest in your business.

BUYER IDENTIFICATION

Perhaps the most crucial aspect of the process, ensuring that the shortlist of buyers is correct, is fundamental to unlocking the best value in a disposal.

NEGOTIATION

In many instances, an owner will sell a business only once in their lifetime and are up against experienced buying teams. The risks of negotiations not being optimised are significant in the absence of an experienced adviser to fight your corner and ensure that the deal is a fair one for all concerned.

DEAL MANAGEMENT

Agreeing the key terms of a deal is only the beginning of a process to ensure that a deal progresses smoothly to its conclusion. Every deal will have its nuances and there will inevitably be surprises along the way which must be effectively managed to the satisfaction of both buyer and seller if the process is not to be aborted unnecessarily.

TAX ON ANY CAPITAL GAIN

You may be eligible to pay less Capital Gains Tax as a result of Entrepreneurs' Relief, where the first £10m of lifetime gains are taxed at a very attractive rate of 10%. There are numerous planning steps to ensure that this relief is optimised and specialist advice is always recommended. Often, structures require time to implement and it is important to ensure that any such tax considerations are made well in advance (typically at least 12 months prior) of any planned exit date.



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THE NEXT STEP

If you are looking to buy or sell a motor dealership, or you are simply contemplating your options, please contact David Kendrick or Paul Daly for a confidential discussion.

Alternatively, to find details of your local UHY automotive expert, please visit our website at:

www.uhy-uk.com/automotive



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David is head of the UHY national automotive sector group and is known as one of the leading professional advisers in the automotive sector. He has over 13 years' experience working closely with key clients and contacts in the sector to understand their long term objectives and then assist with action plans to achieve these.

David has acted as a trusted adviser for numerous privately owned businesses, working closely with them to maximise value on exit, as well as assisting acquisitive companies with their growth plans. He has brokered over 100 acquisitions and in excess of 70 motor retail disposals with an estimated combined value of £350m, enabling his valuation methodology to take account of the latest market trends and actual transaction prices that are taking place in the 'real world'.

Paul is an audit partner with significant experience in the automotive sector. He also regularly leads other advisory work spanning transactions, due diligence and business restructuring.

Initially working within a 'Big Four' firm, Paul moved into industry at a FTSE 100 group before moving back into practice, working for a specialist automotive firm. In recent years, Paul has valued in excess of 100 motor retail businesses for numerous purposes including acquisitions and disposals as well as for other purposes such as death estates and divorce.

Paul has a unique skill set, assisting businesses with control and profitability issues as well as acquisition and disposal strategies. His 'hands on' approach ensures that complex or time critical assignments can be more easily managed, with projects typically hitting the ground running under his direct supervision.



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