



Realising the Value of businesses

If you are contemplating the sale of your business, here are some key questions you should address before entering any commitment.

- Do I really want to Sell ?
- How Much is the business worth ?
- What do I want from the transaction both financially and commercially ?
- Can I find a buyer ?
- Who do I want to sell the business to ?
- Will the buyer be a good fit to my business and how will they be vetted?
- Can I walk away from the business, and will I have to give warranties, or indemnities ?
- How much risk is involved ?
- What if I back out ?
- What if the buyer backs out ?
- Will I have to prepare the business for sale and what is the process for this ?
- How much will it cost to sell the business?
- Will I have a choice on the company I see as the best fit ?
- Why should I choose Scellon to handle the sale of my business ?

If you decide to engage with Scellon, these are among the issues we will be discussing with you during the initial meetings prior to any commitment. If the decision is to proceed with your sale plans, you can be assured that Scellon will have total focus on the following issues in order to secure a successful sale for you on the best possible terms.

- Scellon has to understand your business as well as you do, and this includes an in-depth analysis of the needs of both the business and its owners, as well as a consideration of wider market issues.
- The business must be prepared for sale by identifying and addressing areas which will enhance business value and ease the sale process.
- An estimate of sale value must be put together based on appropriate criteria.
- Understanding of the key objectives and expectations of the Stakeholders
- Scellon must market the business effectively to identify potential purchasers and to represent your business to them in the best possible way.
- The ability of interested parties to satisfactorily complete the sale process and operate the business successfully must be assessed.
- Scellon will negotiate with one or more prospective purchasers on the terms of the sale including price, timescales, payout terms, future involvement with the business etc. and will liaise with other professionals involved (lawyers and accountants).
- Scellon will ensure a successful handover and transition period.

Scellon has developed a unique method of dealing with these issues in the form of a 6 Stage process which is both logical and structured, yet is sufficiently flexible to meet your particular requirements.

Stage 1 - Working with you to develop and achieve your goals

Develop a mutually beneficial relationship with you and your stakeholders through clear and open communication. We will help you understand if the company is ready for sale, help you implement any work required to maximize its potential value and provide a realistic value and preparation/sales plan that should result in achieving the agreed targets.

The 11 key services we provide is detailed on the web site under “ WHAT WE DO “ any of which is available to our clients depending on the business positioning :-

- Review of strategies, goals and objectives.
- Review historical strategies and business performance.
- Shareholders and business ownership.
- Carrying out a financial assessment, establish the capital structure, revenue generation and margins, liabilities and debt, cash capital of the finance within the business.
- Acquire the necessary understanding of your business, gaining insight into processes, products, customers and strategies.
- Business operating systems including IT, HR, Health and Safety, Quality assurance and other compliance issues.
- Legal review.
- Intellectual property, patents review.
- Intangible assets assessment including goodwill.
- Identify and action improvements to aid the sale process.
- Discuss all the options for selling your business ie:- trade sales, asset sale, earn out,
- Discuss your personal wishes and requirements including a preliminary ball-park valuation of the business.
- Coach the owners and shareholders in the process of due diligence and selling the business.

At the completion of Stage 1, you should be in a position to decide whether you wish to pursue a sale and, depending on your conclusion, a market rate fee is chargeable for this service on a day rate basis. If at the end of stage 1 our clients are in a position to engage Scellon we can proceed to Stage 2.

Stage 2 – A realistic and achievable valuation

This is often a difficult area as seller and purchaser may well have different opinions.

We aim to achieve a valuation which gives you maximum return while remaining realistic and justifiable. Our valuation will be based upon not only the financial business performance but include good will, brand awareness and positioning, competitive advantage, intellectual property, intangible assets and any unique selling points of your organisation.

- Establish the scope of sale. Construct various valuation models based on net assets, Earnings etc, for discussion. Arrive at agreed realistic target value for the business (which we hope to exceed).
- Scellon strategy is to work with our clients to maximise the return for their hard work.
- Scellon will understand the culture of your business and establish a best fit organisation which

is ethically and financially sound and will be capable and able to proceed to completion.

Stage 3 - Marketing to attract those who are ready to buy

Marketing your business requires skillful and impactful presentation that will attract the type of purchaser who is serious about engaging with you and has synergy with your aims and values.

We will ensure that the materials we produce provide a concise, accurate and legal overview with enough information to attract those who want to open a dialogue.

- Design and construction of a marketing brochure and market profile (in cooperation with yourself). To be available in digital print form (organized by myself) and electronically.
- Direct marketing of the business – both on and off-line – via our extensive business networks including accounting companies, VC companies and law firms.
- Scellon have a well-developed promotional structure with regular targeted communications - both on and off-line - that will be used to promote the sale of your business.

Stage 4 – Validation To ascertain credibility, suitability and sustainability

Our work to this point should attract serious and credible purchasers. Any interested parties will be fully researched to confirm that they have the capabilities and appetite to follow through on the acquisition and that they are structurally and financially sound.

If funding is required, we are able to provide help with this through our relationships within the capital markets.

- After securing NDA's, we will contact (and meet with if required) interested companies to establish intent and seriousness. We do not want to waste time with companies that are unwilling or unable to follow through.
- Construct a short list for your approval on which we will carry out some due diligence
- Establish credentials, integrity and capability of business declaring an interest
- Organise site visits of short-listed companies and facilitate the selection of preferred bidders.

Stage 5 - Purchase - carefully handled to completion

This is always a delicate procedure and during the due diligence period we act as both facilitators and mediators to provide the best chance of both parties receiving a best value completion.

This needs careful handling to ensure that all legal and taxation matters are managed correctly by accredited and experienced professionals and that the deal gets done, recognising the probability of warranties, liabilities and restrictive covenants within the sales and purchase agreement (SPA).

- Discuss with you to select the preferred purchaser and secure a 4-week exclusivity agreement.
- Liaise with the purchaser and his legal and accounting representatives.
- We can select and deal with your legal and accounting advisors and invoice you as part of the transaction. These costs can be kept down as we can handle much of the Due Diligence within our remit.

Stage 6 - Financial Considerations – What should we do with the money?

We will have worked hard to achieve the sale at a realistic and satisfactory value, it's now important that the revenue is handled correctly and all tax, legal and investment matters are managed to ensure the most advantageous outcome.

- We work very closely with WealthClub Ltd, which looks after the interests of and provides tax-efficient opportunities for high net-worth individuals. It is vital to make the proceeds of sale work to provide you with the standard of living and security you need.

Communications

Communication in Mergers and Acquisitions is a critical element in the successful management of the process, at Scellon we use several leading edge software packages to aid in this process ensuring the buyer, seller and all the associated stakeholder have accurate and timely information to enable progress and decision making.

All documentation relating to the sale is communicated via electronic data room where access and status of documentation can be restricted and managed, all stakeholder are sharing the same data documentation can be approved or commented on giving the transaction structure and visibility.

Customer relationship Management (CRM) is used to correlate all communications and actions to enable efficient and effective communication.

Personnel – Our team are all highly qualified and experience industry professionals

Scellon has a set of core values and beliefs, these are all based upon integrity, trust and honesty. We ensure that all our services and processes are provided within an ethical and legal framework. We are all competent, confident and committed to exceed our customer stakeholder expectations.

We all have a high degree of experience and wisdom having run businesses in a variety of market sectors for many years. Scellon has a long track record of mergers and acquisitions on small SME through to international groups. Our Chairman, Dr Robert Davies, has had a lifetime in the academic world and a renowned international economist, also having the practical experience of running his own highly successful engineering group. He is currently an Independent Director of several high-profile engineering companies.

Robert will concentrate on questions of legal and ethical compliance. He is also focused on ensuring a good fit between purchaser and vendor so that the business is sustainable and manageable post-acquisition. There is nothing worse than seeing a business you have worked hard in being driven in the wrong direction by new owners who do not really understand the issues.

Fees

- We have an initially consultancy charge based on a day rate, this enables us to scope the business and work content. The time depends on the complexity and size of the business typically it will be between 3 days and 14 days. This process establishes and demonstrates commitment from the Business owners / Shareholders to either prepare the business for sale or

have the desire to follow through on the transaction.

- Consultancy/management. If, as a result of our preliminary work, it is agreed that we undertake any substantial further input outside the scope of the sale process, this will be chargeable at a day rate plus expenses.
- Any incidental costs during the sale process such as travel and accommodation, printing, legal costs etc. will be charged to you at cost. Such costs are payable whether or not the sale completes.
- As part of the sale process, we will agree a target business value. If a sale is completed at this figure or below, our commission will be a negotiable % of the sale value, dependent upon the size of the transaction - If, for example, a target sale value of £500,000 was agreed and the actual sales value was £600,000, we would charge 5% on the first £500,000 and 10% on the remaining £100,000, totaling £35,000. Commissions are only payable upon successful completion.

For business owners and shareholders, this is probably one of the biggest ventures of their lives, releasing and realizing the value in their business to enable them to have a life- style change. We at Scellon take this as a great privilege to represent you and have great enjoyment in seeing owners move on to new opportunities as we stay with the acquired business ensuring their brand, product and legacy both remains intact and grows.

There are many ups and downs in selling a business, it can be stressful and frustrating but exhilarating at the same time, We at Scellon will take all the load off your shoulders, working with you to transition to your new destiny.