



Who's selling, when, how and why?

A report into business exit

evelyn
PARTNERS

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Methodology

The research in this report was carried out by Censuswide on behalf of Evelyn Partners. Censuswide conducted a nationally representative survey of 504 business owners aged 18+ with turnovers of £5m+. The survey took place between 28 April 2023 and 9 May 2023.

Introduction

More often than not, for a business owner, the decision to sell is momentous. Businesses are a life's work. They represent a vision, and years of hard graft can define their owners and intertwine tightly with personal lives.

Choosing to step away from the business is about much more than a sale or exit strategy. It will have a profound impact: on the business, on employees, on the owner and their family. And with multiple, complex choices to make, their ramifications can be far reaching and long lasting.

At a time of significant challenge and upheaval for UK businesses – whether that's because of inflation, supply chains, Brexit, the environment, the prospect of a change in government or many other factors – the *'Who's selling, when, how and why?'* report shines a spotlight on business exit.

Building on new research commissioned by Evelyn Partners, this report takes a close look at whether business owners are planning for exit, if it's in their sights or far off, the kind of exit strategies they're pursuing and how their plans may have changed over recent months. Importantly, it also delves into the motivation behind plans to exit and whether there are any reoccurring themes or catalysts.

Providing valuable insight into the mindset of UK business owners, this research complements Evelyn Partners' own understanding of the challenges and opportunities that business owners face today. Throughout the report, you'll find commentary from our experts in business exit.

As the UK's leading integrated wealth management and professional services group, Evelyn Partners works with business owners at every stage of their journey, from the spark of an idea through to sale and beyond - across their business, personal and family finances too. When it comes to business exit, we're there by their sides, supporting business owners as they explore exit possibilities, plan and execute strategies. We know what they grapple with and can see first hand what a difference forward planning, preparation and good advice can make.

We hope you find this report insightful. If you are a business owner, please do take advantage of our free business exit readiness assessment by visiting: www.evelyn.com/business-exit or calling **020 7189 2400**.



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Is it time to exit?

In today's tumultuous business environment, how many business owners have their sights set on exit?

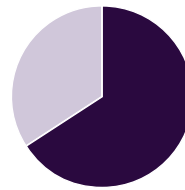


We know from experience it's a common topic and something we encourage business owners to think about well ahead of the day. But what are business owners doing right now?

To find out, we asked about their current plans.

"As a business owner, are you currently working towards an exit strategy?"

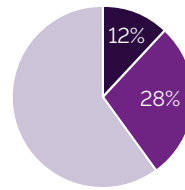
And the answer? A resounding yes.



65% confirmed that they're working on an exit strategy.

"What about the timescales? Is business exit a far-off ambition or an event that's just around the corner?"

According to the research, it's imminent for many.



A huge **40%** of the business owners surveyed are planning to exit their businesses in the next year.

How does that break down?

- Yes, within the next 6 months
- Yes, within the next 7-11 months

As with many things in life, the earlier you start planning a business exit, the more options you'll have and the better prepared you'll be. So even when a business owner is in the thick of it, having one eye on where they're heading can be a wise move.

It interested us to find out how many of those business owners surveyed are currently working towards a longer-term exit strategy.



Evelyn Partners' view

Developing a business exit strategy is crucial for achieving your desired outcome when exiting your business. It helps ensure that you can exit in the way that is best for you and your business needs.

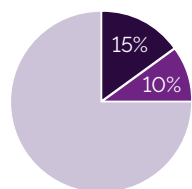
At this stage, it's important to explore the options available, understand the best solution, think about what you need from the sale of the business and start to build your strategy to secure the best outcome both in terms of increasing value and minimising tax costs. Commercial objectives will be important but there will be others such as future fit if doing a trade sale, different ownership pressures, legacy and impact on the team.

If you work with a professional adviser in the early stages of your business exit, the more successful it's likely to be.

Evelyn Partners can help with all of this and we offer free exit readiness assessments to start business owners off. Find out more on page 10.

"Who's planning ahead for a later date?"

What did we find out?



A quarter of business owners surveyed say they plan to exit their business within 12 months or more.

How does that break down?

They're planning to exit:

- Within the next 1-3 years
- In over 3 years

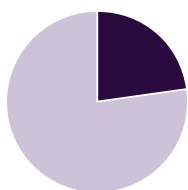
Are exit timelines changing?

With so many factors putting pressure on UK businesses, what kind of impact is this having on exit strategy timelines?

We were keen to take a look so we asked the question:

"Have the timescales of your exit strategy changed in the past 12 months?"

What did we discover? Change is certainly afoot.



Almost a quarter (**23%**) of the business owners surveyed told us that they have an exit strategy that they've actually **brought forward**.

On page 6 we delve into the reasons for this.

As well as 23% of business owners indicating that they have brought forward their exit plans over the past 12 months, **36%** also said they had **postponed their exit plans**. The latter could perhaps be expected given the economic uncertainty and potential worries that owners may not get the best price for their business, as evidenced by a slowdown in M&A activity.

Fast-tracking an exit strategy – what are the reasons?

If almost a quarter of UK business owners with an exit strategy are fast-tracking theirs, what is behind this?



Given the amount of planning and time it takes to exit a business successfully – not to mention what is at stake – choosing to fast track an exit is not for the faint-hearted. We wanted to understand what it is that is motivating business owners to exit sooner than originally planned. We asked:

“What are the factors that have driven this decision?”

Not limiting business owners to just one response, we uncovered a wide range of factors influencing exit timelines. Among these, there were some common catalysts.



Prospects of a change in UK government and tax changes

Perhaps unsurprisingly, this tops the list. With a UK general election not too far away, a **quarter** flagged the prospect of a change in government as a factor.



Challenges accessing capital and long-term investment

25% of business owners surveyed have been encouraged to sell quickly because of ongoing challenges accessing long-term capital.

18% cited the rising cost of capital as a key motivation for bringing forward exit strategies.

19% say the withdrawal of a key investor is behind their decision.



Post-Brexit trade arrangements

Complexity in the post-Brexit era is taking its toll. Rather than continuing the battle to navigate trade arrangements.

18% have cited them as a reason for fast-tracking exit plans.



The impact of inflation

For **23%**, inflation rates are a catalyst to sell up. The rising cost of labour, energy and materials is proving too much of a challenge.



Personal factors influence business decisions too

Reinforcing just how intertwined business and personal lives are for business owners, the research revealed a number of personal factors behind decisions to speed up a business exit.

Personal finance challenges mean **almost a quarter need access to capital tied up** in their business.

For **17%**, it's **divorce** that is creating a need to access capital.

17% cite **illness** as the reason.



Evelyn Partners' view

While it's hard to know the outcome of a general election, a change in government may bring with it new tax legislation, which may be driving some business owners to make decisions in advance of an election.

Which exit strategies are popular?

With many different exit options available – some better known and understood than others – what are business owners considering?

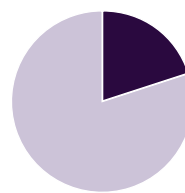


Turning to those working on an exit strategy, we asked:

“What exit strategy are you currently pursuing?”

Where respondents were pursuing more than one, we asked for their preferred exit strategy. These were the responses:

Selling to private equity firms is the overall preferred strategy



One in five (20%) have their sights set on a sale to private equity. Of these, there is a fairly even split between those business owners looking to sell a majority stake (9%) and those looking to sell a minority stake (11%).

Employee Ownership Trusts are becoming a popular option

18% of our respondents indicated that their preferred strategy involves an Employee Ownership Trust.

Evelyn Partners' view

We're witnessing an increasing number of businesses turning to employee ownership trusts as part of their preferred exit strategy. Setting up an employee ownership trust can be a swifter process than going to market and also enables business owners to retain greater control of the valuation of the business, compared with external exits where a business is worth what the market is prepared to pay.

Family succession is the preferred route for many

While turbulent family businesses and succession stories make for riveting viewing and are a staple of the entertainment industry, in real life many business owners surveyed have confidence in family members and are opting for family succession.

16% of business owners say that passing their business on to family is their preferred route.

Early planning is essential when it comes to family succession as there are usually many factors to consider and the tax rules in this area need careful navigation.

Other preferred exit strategies include:

Sale to a trade buyer	14%
Management buyout	14%
IPO	10%
Winding down via liquidation	7%

In conclusion

The decision to exit is momentous for business owners. Often, it's a strategic goal that is planned out and worked towards well in advance. But, as this research demonstrates clearly, circumstances can bring about change, altering exit timelines and strategies.

This research also brings to the fore quite how many business owners are considering exit over the coming months as well as the wide-ranging exit strategies available to them and the potential tax costs. With so much at stake and such complexity in every exit transaction, good advice is critical – and the sooner, the better.

While there are certainly some 'wrong' ways to exit a business, there is no 'right' way. So while the research highlights preferred exit strategies in the current environment, it's important that business owners do what's right for them and their business. Again, good advice is key and it's crucial that this doesn't just focus on the commercials but also considers personal implications too. When it comes to exit, business is most definitely personal.

Evelyn Partners' view

While transferring businesses to family members may seem the safest way to protect a legacy, they often involve complexities, particularly when multiple generations are involved, so it's important to plan carefully and allow time for a smooth transition."

"We saw fewer business exits during the end of last year and the first quarter of this year, mainly due to capital drying up and valuations reducing. This resulted in founders adjusting their expectations around sale proceeds in comparison with the previous 2 to 3 years where valuations and multiples were higher. In the second quarter of 2023 this is now reversing, and trade sales are picking up. We also expect IPOs to start picking up toward the end of this year and into to 2024. We saw an uptick in discussions around pre-exit structuring in the first quarter of 2023, supporting this, which was driven by an improvement in market outlook, capital becoming more available and political uncertainty.

Are you considering a business exit? Evelyn Partners can help

At Evelyn Partners, we look at the whole picture and offer 360° advice. Our highly experienced team listen, discuss, and advise across multiple areas, including:

- Advisory consulting
- Corporate finance
- Financial planning
- Business tax
- Personal tax
- Investment management

From weighing up whether it is the right time to sell, through to exiting the business and beyond, our advice covers every aspect of your sale, ensuring that you reach your personal and business goals.

We offer good advice and by doing so create mutual trust.

Book your free exit readiness assessment

No matter where you are in your business exit journey, Evelyn Partners is here to help.

When you have an exit readiness assessment with us, we will spend the time getting to know you and your business. We'll discuss your personal goals and aims for the future and look at this alongside your current business figures and past trends. From this, we can help you make any necessary changes so that you receive the price you want and deserve.

Book your free exit readiness assessment with us now:

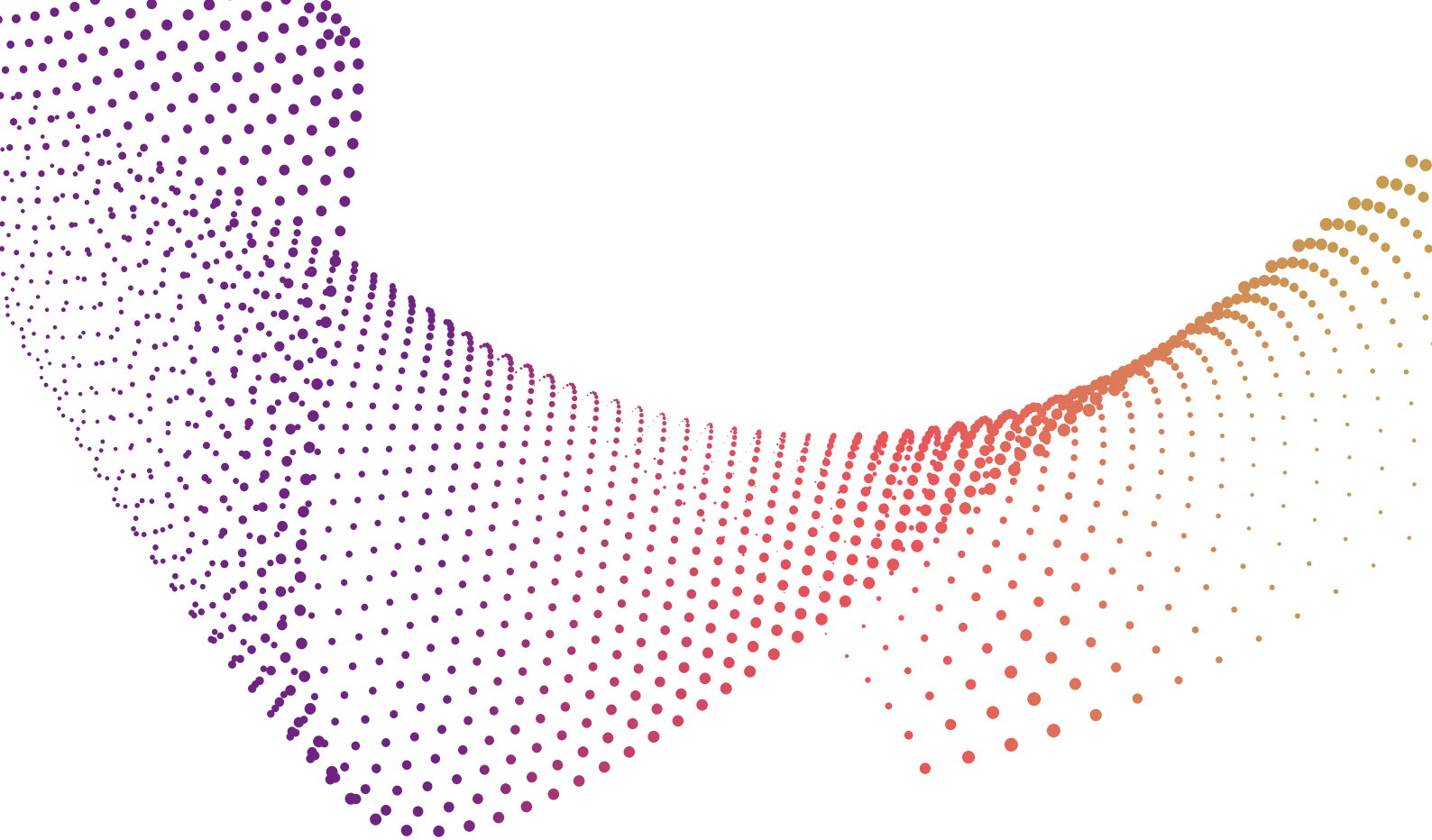
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The value of an investment may go down as well as up, and you may get back less than you originally invested.



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