

How to plan your business exit strategy

SMEs are the lifeblood of our economy in Wales, with many being family run or owner managed. But many business owners delay thinking about what happens when they want to sell or retire.

No matter the size of your business, it's a good idea to plan ahead and think about how you will realise the value within your business whilst preserving your legacy for future generations. The type of strategy you adopt will depend on a range of different considerations but the most common routes to exit include trade sales, management buy-outs and buy-ins and family succession. Employee ownership models are also proving increasingly popular.

There are pros and cons to each of these options – a trade sale may provide a premium value for the business if the alignment is right for the buyer, whilst selling to the management team and employees can be less disruptive for staff and customers alike, given the ability to maintain existing culture and negotiate a 'friendly' transition.

Read more: [Bisley owner gifts staff over half of company shares in succession move](#)

It's never too early to begin planning your exit strategy. Over half of business owners in Wales are over 50, and many are already over what has historically been recognised as 'retirement age'. Coupled with the 'Covid effect', which has left many business owners reconsidering their future, this means that a lot of Welsh businesses may be looking to change hands in the next few years – with owners looking to pass the baton on to the next generation.

It is therefore good for owners to have a goal and take the

necessary steps to maximise the value of the business by preparing for sale and planning the transition. Getting the right advice is absolutely essential.

One of the recurring questions is “how do I fund the transaction?” particularly when going down the route of a management buy-out or buy-in where the new management team may have limited personal funds. Depending on your business, both debt and equity finance are available to back new management teams to take over ownership of the business and allow a managed exit for business owners.

Equity financing is raising capital from investors like the Development Bank who take a stake in your business. Far from just providing a cheque, equity investors frequently offer added value in the form of sector experience, expertise and contacts. They will be aligned with your management team to formulate a growth strategy and can provide follow-on funding as the business develops.

Here at the Development Bank, we can provide a mix of debt and equity for management teams thinking about running their own business, which can act to unlock your exit as a business owner. We have a range of funds available dedicated to supporting management succession of all types. In fact, since inception we have invested over £117 million in more than 320 different management buy-outs and buy-ins.

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One of the businesses recently backed through succession by the Development Bank is Abbey Glass, a Pontyclun-based bespoke glass manufacturer. Angela Worgan took over the ownership of Abbey Glass in March 2022 having first started in a part-time administrative role in 2006 before becoming managing director in 2020. The deal was funded by the Wales Management Succession Fund.

We also provided the funding for a management buy-out at ALS Managed Services. Chief Executive Steve Lanigan led the MBO with a combined £1 million finance package that enabled the management team to buy-out the founding shareholders.

The bottom line is that it's never too early to start planning your exit strategy. There's plenty of help available and equity funding might be just what's needed to finance your exit and enable you to realise the value in your business; preserving your legacy and enabling those around you to take the business forward for the longer-term benefit of all.

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