

BUYOUTS – A GUIDE FOR THE MANAGEMENT TEAM

A buyout can be a complex process. We did our own in 2003 so we understand what's involved. At the core of a private equity transaction is the opportunity created by the partnership between a management team and their private equity backers.

This partnership is founded on trust, mutual respect and the ability to pull together to achieve value growth – both for management teams and for their investor.

WHAT MAKES A SUCCESSFUL BUYOUT COMPANY?

1. It has a strong, backable management team
2. It has a robust and defensible market position with growth momentum
3. It has a strong brand, owns proprietary product, technology or services and can maintain its margins
4. The company has a good recurring revenue profile. This is important as more volatile businesses will find it harder to raise debt, which is a key component of most buyouts
5. It has good cashflow – buyout investors focus on cash generation not accounting profit
6. There are clear opportunities to create value through strategies including organic growth, operational enhancements or M&A

BUILDING A SUCCESSFUL PARTNERSHIP

A lot is asked of a management team during a buyout as they balance the additional pressure of a transaction while also running their business.

In order to maximise the chances of the buyout being successful, management teams should want to form a partnership with their investor and embrace it fully – it is central to having a successful relationship with a buyout investor.

The partnership should be founded on shared objectives and a clear, agreed view of how to achieve them and the time it will take to achieve them.

GOLDEN RULES FOR BUYOUT TEAMS

A successful Buyout is a win-win for both management and their investor. In order to maximise your chances of reaching this outcome, you should consider the following in the leadup to a deal and during your partnership:

1. Choose your investor carefully. Make sure your partner understands your business and is committed to it and you
2. Develop a clear and sound post-buyout strategy and particularly make sure you can deliver on the numbers
3. Communicate clearly, early and honestly with your investor when problems arise. Maintaining trust throughout the partnership is key

WORKING WITH MONTAGU



Right from the outset of our transaction Montagu not only understood management's objectives and ambitions but also delivered exactly to the agreed timescale – which was quick!

Since then we've agreed a value creation plan that they've helped us hugely in starting to deliver. With 3 acquisitions completed in under 15 months, new product initiatives launched and processes improved across the Group, Montagu has added real value to the management team.

Montagu has really helped us navigate the complex path from an SME to a medium-sized multi-national organisation operating in 7 different geographies where we've not only nearly doubled our revenues and EBITDA but also increased our headcount significantly.

OLIVER TUCKER, CO-FOUNDER AND CEO OF WIRELESS LOGIC

Wireless Logic is Europe's leading managed service provider in Machine-to-Machine ("M2M") and Internet-of-Things ("IoT") connectivity. Montagu invested in the business in 2018.

ABOUT MONTAGU

For over 50 years we have been backing businesses with a Northern European presence.

We work in close partnership with management teams to unlock the Full Potential of their business – this is at the core of our approach.

We specialise in buyouts of market-leading, performing businesses that provide products or services that their customers would otherwise ‘badly miss’ and that have an enterprise value between €200 million and €1 billion.

We are a learning organisation always seeking to improve our processes and working through our challenges together. Our shared Responsibility is a core part of what we do and how we invest.

Since 1968 Montagu has completed over 400 transactions and has a team 100+ professionals based in Frankfurt, London, Luxembourg, Paris and Warsaw.

Buyouts are a complex, intense process. We did our own in 2003, so we know what’s involved.

We, therefore, created the Buyouts Guide, which is for management teams thinking about, preparing for, or in the middle of, a buyout.

To find out more, and to request a copy of the full book, please visit:

montagu.com/buyouts-guide

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