

Karl Webb, consultant at Clarendon Executive, investigates the growing interest from senior executives in Management Buy-In opportunities. He explores why this is an opportune time and looks at the qualities required to become an MBI candidate.

## Now is the Time to Consider an MBI



Karl Webb, consultant at Clarendon Executive

We have all heard leading entrepreneurs talk about tough times presenting them the best opportunities but I have often wondered if that was a convenient spin to boost their profile or a means of remaining positive when the chips are down. The fact is however, that while a large number of businesses across a variety of sectors are experiencing very serious commercial challenges, these same businesses become a more viable investment proposition for a potential buyer. The challenge for ambitious senior executives is how to find an affordable way to avail of these opportunities.

The opportunity of owning a shareholding in your company, whether you are the manager or a key employee, is the dream of many leading business executives. However, relatively few executives ever are in the position or have the opportunity to complete a Management Buy-out (MBO). Therefore, many executives are keen to seek the next best alternative which is to find a Management Buy-in (MBI) opportunity in which they lead a new management team that acquires a business alongside a Private Equity investor.

Clarendon Executive works closely with a number of private equity firms and have helped to source MBI candidates across a variety of industry sectors and there is little doubt that the current economic

climate is seen as ideal time to invest. Commenting on the current market conditions, Ian Kerr of leading corporate finance and private equity firm Beltrae Partners explained to me that "we see this as a time when good businesses can be acquired at sensible prices. Our strong track record and relationships with bankers and the funding community has meant that we continue to be able to raise appropriate bank facilities that enable buy-in structures to work".

The model can differ slightly but essentially the private equity investment firm will source viable investment prospects and present a suitably qualified MBI candidate with the opportunity to become involved in the acquisition and management of the business. Investment projects vary but typically the plan is to invest, turnaround and sell with a reasonable profit in a 5-7 year period.

There are a number of reasons why MBI can be a very attractive option for a senior executive with an aspiration of running their own business. Working with a credible and established private equity firm will reduce the risks involved in acquisition as they will take the lead role in running due diligence and should have the expertise to determine the balance of risk and return. Secondly, private equity firms should be well positioned to attract the necessary funding from partners and well established credit facilities.

### Who can become an MBI candidate?

Crucially, successful private equity firms such as Beltrae Partners rely on the expertise of a credible MBI candidate to lead the business once it has been acquired. The ideal MBI candidates tend to come from a variety of professional and management backgrounds but Clarendon Executive has taken Ian Kerr's guidance on a list of desirable qualities:

- Track record of growing a business i.e. he or she has 'market led' experience rather than an internally focussed management role.
- Can do attitude- will 'roll-up their sleeves' and get things done on a Sales or Operational basis rather than simply being a good delegator.
- Motivated by the one off capital gain opportunity through equity ownership and by the unique chance to control his or her own destiny.
- Prepared to invest an amount of their own money to acquire a shareholding in the business, albeit it is recognised that the different parties in any given transaction will have different resources.

The MBI model offers business leaders with a very compelling way to run and own a business. Working with a reputable private equity investor will expose you to the right sort of business opportunities and provides you with the expertise and financial support to negotiate the acquisition. Crucially it offers a way to take hold of the business and become a leader in the true sense of the word and subsequently it allows you to enjoy the fruits of your efforts. The approach has worked well with a number of businesses locally and the current economic climate will open up a growing number of MBI opportunities for the foreseeable future.

However like all businesses, MBI's will only work if the right people are on board and like all opportunities MBI will only be open to a small number of individuals with the necessary skills, experience and appetite.

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If you are interested in finding out more about MBI opportunities contact Karl Webb or any member of the team at Clarendon Executive in confidence on 028 9072 5750 [www.clarendonexecutive.com](http://www.clarendonexecutive.com)