

In each edition of the review, we highlight a particular transactional aspect of a non-core disposal for consideration. For this edition of the periodic review Antony Green, Managing Director of Gazelle's Corporate Finance department, sets out the accelerated disposal process we offer and why this is relevant for the current economic conditions.

Gazelle's accelerated disposal programme

Many business owners are wary of putting a non-core business up for sale in the current environment given depressed valuations, management distraction and stakeholder uncertainty it causes at a time when trading may be difficult.

However, disposals of non-core businesses are still possible in the current environment and may be the right strategic decision if capital can be more efficiently redeployed and management time and resource can be freed to focus on the retained core business. The key is to evaluate the strategic options available now before any trading or financial pressures build which may ultimately restrict those options.

Given these pressures, Gazelle has developed an accelerated disposal process which is designed to place minimal burden on management in the early stages but allows a vendor to know how strong the appetite is for a business within 4-6 weeks of initiation, thereby minimising the period of uncertainty and distraction. In addition to understanding the value proposition, the vendor can also form a view on the certainty and speed of execution of competing offers, as minimising time to completion can be critical to avoid any softening in trading (which may otherwise cause acquirers and/or financiers to reassess terms).

In contrast to a formal auction process, the information memorandum is sacrificed in favour of a short-form document with appended management account highlights and/or forecasts. Interested parties are agreed and approached early-on to exchange confidentiality agreements, allowing the marketing materials to be dispatched. Thereafter any issues arising with interested parties are clarified with a view to securing indications of interest within 2 weeks of exchange of confidentiality agreements. Once expressions of interest are received, the vendor can then assess whether there is merit in moving to a more intense phase of diligence and management meetings, leading to the selection of a preferred party to conclude the transaction with.

Gazelle's focus on non-core disposals and experience in leading disposals of troubled assets has enabled us to develop and tailor processes which are designed to maximise terms for our clients. Our accelerated disposal process continues in this tradition and offers business owners a further option in assessing the right strategic action to take in the current environment.

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Comment:

“Our accelerated process offering is designed to enable owners to make informed decisions as to whether to retain or dispose of a business in the current environment. Within a short period, strength of appetite and value is understood enabling owners to assess the merits of redeploying the capital released and freeing management time and resource to focus on the core business.

It is all too easy to put off exit decisions because valuations are subdued relative to pre-October 2008, however most businesses are now exposed to considerably higher risks and uncertainty and very few commentators expect a return to previous conditions and credit availability in the foreseeable future.”

Simon Willes, Executive Chairman,
Gazelle Corporate Finance



Gazelle's non-core disposal advisory service

Gazelle was set up over 10 years ago to offer corporate clients access to independent and senior level investment banking advice for deals in the lower mid-market, typically ranging from £5-100 million. Such transactions can be time and judgement intensive, raising a number of complex issues on which clients require expert and experienced advice.

We specialise in business and asset disposals, offering bespoke advice on the structuring, planning and implementation of processes. Our approach always begins with an honest assessment of the likely range of outcomes – our fees are linked in a large part to the successful completion of such transactions.

We can assume responsibility for co-ordinating all aspects of a transaction from initial preparation and marketing through to negotiation and execution. The successful sale of non-core businesses in the current climate requires a focused, experienced and dedicated resource to expedite a transaction and deliver optimal terms.

Gazelle has a strong track record of delivering results, sometimes in challenging circumstances where the business is impaired or loss-making. Over the years, we have developed a strong network of contacts and can frequently identify the less obvious interested party, whether based in the UK or internationally.

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