UBS

Exiting a family business

ATX Wealth Partners
Private Wealth Management

The situation

Our clients owned and operated a very successful industrial and commercial demolition company. They were resigned to the fact that they would reduce their risk and liability by exiting the business at some point in the future, but were in no particular hurry and had no formal business exit strategy in place.

Out of left field. Our client unexpectedly called us one day upon receiving an unsolicited offer to acquire their business.

It was apparent that the clients were interested in entertaining the offer which valued their business at approximately $14 million. We pointed out a few concerns: 1) our client did not have a stable of metrics available to him to assess the appeal of the offer, and 2) as this was a direct, unsolicited and unexpected offer from the strategic, our client did not have advisors representing the family's interests. After a little back and forth, our client agreed to allow us to bring certain professional value-add resources to the table. The offer was ultimately not accepted.

After some initial hesitation, we persuaded our clients that they needed to enlist professional resources to help them with the deal.

The strategy

Creating competitive tension. Our team drew upon the vast resources available at UBS, particularly with the Business Development Group which pointed us in the direction of several boutique investment banks potentially suited to represent the client. After interviewing and personally vetting several of them, we presented two banks to our client, they favored one, and this boutique banker was tasked with creating the competitive tension necessary to elicit the best offer.

Putting the pieces in place. The first order of priority was to get the company's books in order over the course of a couple of months. In tandem, our clients were brought up-to-speed about what to expect from potential acquirers and how to respond. Soon after, the investment bank went out to market and invited offers. Over the course of nine months, several legitimate offers were vetted, which were whittled down to three as possibly acceptable to the client: two from private equity and one from a family-owned business of similar size. The client agreed to terms with the family-owned enterprise for $42 million.

An unexpected twist. Just weeks before the deal was to be executed, it fell through due to unforeseen issues from the purchasing party who requested more time due to an issue outside of this deal.

Capitalizing on momentum. Now in a position of strength and clarity, the client and its investment bank contacted the initial $14 million offer to educate this national strategic on the intrinsic value of the asset and its potential. The client ultimately closed the purchase at $42 million, three times its original offer from this strategic, and at very favorable terms.

Long before the sale, we started educating the client on planning for the wealth that would result from the sale. We enlisted the help of the Advanced Planning Group and Portfolio Advisory Group at UBS to create a plan that explicitly matched our client's capital to their goals and associated time frames of these goals.

Our client fully embraced the UBS Wealth Way framework. A comprehensive financial plan serves as the blueprint for a three-pronged, endowment-like approach to our client's financial life, organized into three key strategies: **Liquidity**—discipline to address client cash flow needs for the next 1 – 5 years; **Longevity**—discipline to fund the net present value (NPV) of our client's lifetime cash flows and the **Legacy**—discipline to address the needs beyond their own (family and philanthropy, for example).

ATX Wealth Partners

UBS Financial Services Inc.
Private Wealth Management
98 San Jacinto Boulevard
Suite 600
Austin, TX 78701
512-542-7528

advisors.ubs.com/atx

The result

The value-add our team can bring to the table often times starts long before we manage a single dollar of client capital. We recognize that successful planning—before, during and after an exit, has the potential to move the proverbial needle for our clients more so than anything else outside of their stake in the business itself. Sometimes life sneaks up on us, and sometimes it plays out as expected. Either way, a thoughtful, attentive plan is always preferred to one that's ad hoc, and is certainly preferred to none at all. In this case, our client was able to leverage their pre-exit estate and financial planning into an outcome that was on their timeline, intentional and tax-efficient. As we've transitioned into the next, post-exit phase of the relationship, a multitude of UBS resources continues to be brought to bear to address a wide variety of our client's initiatives.