



What's next: should I grow or sell my business?

The Forvis Mazars business owners guide

**forvis
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What's next for your business

Whether you've spent a lifetime building up your business or have grown it over a few short years, we understand it's a huge part of your life. And figuring out what to do next can be an incredibly daunting decision.

With all the associated risks and complexities, there's a lot to think about. It won't just be you who's affected – it could also mean big changes for fellow directors, shareholders, employees, investors and even family.

That's why it's imperative to **examine all options** available to you.

But you're not alone. Here at Forvis Mazars, we understand it can be difficult to know where to start, which is why we've put together this guide. It may be that you're looking to sell your business, or you're simply looking for the right partner to help fund future growth. Whatever your initial thoughts, this guide is designed to help owners and directors consider their best move for the future.

The importance of Independent advice

While this guide is robust in its content, it's essential your overall plan is tailored to your ambitions, financial situation and timeline. So it's a good idea to have an initial meeting with one of our experienced corporate finance, deal advisory and tax advisers, before making your next move.

We work with more than 50,000 privately owned companies, and our team has been advising businesses of all sizes for over 75 years. We've included some examples at the end of this guide, but let's begin by exploring some questions to consider.



11 things to consider today

Before we take a look at what's available, there are a number of questions you should consider.

01

What are your business objectives?

02

What are your personal objectives – what really matters to you?

03

Is now the right time to sell or transition your business?

04

Who is the right partner/owner for your business going forward?

05

How do you best position your business for sale?

06

How much is your business worth today and what can you do to increase its value?

07

What's the right option for you: full or partial sale? Refinancing? Private equity investment? Sale to employees or employee trust?

08

Are your levels of cash, debt and working capital optimally managed and within normal ranges?

09

Are your financial systems robust enough to support due diligence?

10

How exposed is your business to current and future risk?

11

What are the tax implications of further investment or exit for you and your business?

Don't worry if you don't know all the answers, that's why we're here to support you.

How we can help

Here at Forvis Mazars, we have extensive experience advising businesses on growth and exit. We believe that in order to get the best results, it requires a combination of corporate finance, deal advisory and tax planning guidance to help you understand your objectives (both business and personal) before providing you with independent, tailored advice.

From first steps through to sale completion – we're able to craft a plan that'll help you through it all.

Here's just a snapshot of the steps we may take, depending on what your overall goal is.

Understand you and your business, including what's important to you both professionally and personally, what you hope to achieve from any transaction, and discuss the options available to you.

Analyse the pros and cons of each option, including those that centre on growing your business. So that could mean a full trade sale, a partial exit to private equity, passing on the business to family members or your employees, or supporting management in a management buyout (MBO).

Advise whether your business is sale-ready and identify areas we can help you improve.

Work with you to identify growth priorities and any gaps that require action to realise that growth.

Negotiate the best price and deal structure for you.

Define and negotiate the best exit or investment for you.

Make sure your financial systems are fit for purpose for due diligence, so you can easily extract the data needed by buyers and investors.

Advise you on the optimal tax position for your sale, including the consideration of capital gains tax, reliefs and allowances, and inheritance tax where applicable.

Advise you on how to invest the sale proceeds, to ensure you can meet your objectives and achieve growth in a tax-efficient manner.

Introduce you to our existing network of private equity investors and to our international trade buyer network.

Provide guidance on preparing your business for sale, and what you need to do to achieve the best price, including helping you prepare a business plan fit for buyers and investors.

Securing the best deal

Throughout the process, you'll always receive independent, unbiased guidance. As well as access to a range of experts who'll work hard to achieve the best outcome for you and your business. All while you remain in complete control.

Which option is right for you and your business?

We will now explore a variety of growth and sale options you can choose from. It may be that the information leads you to a solution you never realised existed, or confirms the option that's right for you, or you may decide you're perhaps not ready yet. Whatever choice you make, preparation and planning is imperative.



Business sale What is it?



The sale (or merger) of your business, in part or wholly to a competitor, another company or corporate group based either in Australia or overseas. This is a common choice that involves taking a number of legal, financial and structural steps to prepare your business for sale.

What are the benefits?

- The completion of a sale can aid your retirement or other personal financial objectives, by realising the investment in your business in full.
- It allows you to explore new opportunities such as fresh business ideas, the purchase of another company, or simply spending more time with your family.
- Your business assets can now be diversified into other investments.

What's next?

- First step should be a robust, independent valuation of the business and its future income.
- An audit of your financial systems to identify potential barriers should happen next. These can then be addressed or reflected in the sale structure or strategy.
- Consider the role (if any) you want to play post-sale.
- Identify resource to deliver the sale and solidify your timeframes.
- A full financial and investment plan should be drawn up, taking into account tax implications and future personal objectives. Our Forvis Mazars team can introduce you to our network of financial planners and investment advisors, alternatively, our team can work with your current advisors.



Click here to speak to an adviser about selling your business today.

Transferring your business to family members

What is it?



This option involves the transition of part, or all, of your business to members of your family. And while it sounds simple enough on paper, this option will still involve a number of financial and legal complexities. Not to mention the emotional aspect of this kind of transaction.

What are the benefits?

- The legacy of the business will continue with your family.
- There may be an opportunity to create a continuous income stream in retirement.

What's next?

- You should assess the importance of your personal objectives within the future of the business.
- Consider how your staying in the business is going to work, and how it might impact future growth.
- Tax and business implications should be reviewed, specifically concerning gifting



Click here to speak to an adviser about transferring your business to family members today.

Transition to employees

What is it?



Employee-owned businesses are wholly or partly owned by the employees that work for them with generally three models available:

- **Indirect employee ownership: where shares are held collectively in an employee ownership trust (EOT).**
- **Direct employee ownership: where employees become individual shareholders (potentially facilitated by an EOT).**
- **Hybrid model: a combination of the above.**

What are the benefits?

- Your business passes to existing employees who understand and are invested in the success of the business.
- It often results in a more engaged, high-performing workforce, since they should share in profits.
- Increases employee retention and aids attractiveness to potential employees.
- Potential tax efficiencies.

What's next?

- It's imperative you gain a solid understanding of each business model option, including all benefits and risks.
- It's also important to work out how much each model option could generate in terms of capital and income over time for the owner/s.
- Tax and legal implications of these models should also be addressed early. For example, what happens when employees wish to sell their shares in the future?



Click here to speak to an adviser about transferring your business to employees today.

Private equity investment

What is it?



Equity finance essentially means selling some or all of your shares in the business, in exchange for a capital injection. Equity investors can include partnerships, angel investors or private equity firms. This equity investment can be used to extract capital from the business, or to fund future growth initiatives. If this option is right for you, we have strong relationships with successful equity investors we can connect you with.

What are the benefits?

- This option can provide immediate liquidity for you, and also support your wider growth and succession plans.
- Private equity firms usually have a wealth of experience in supporting businesses, and it's in their best interest to help grow them further. This means you may be able to sell part of your business today and still retain some ownership, growing the business further before selling the remainder of your shares at an even higher price later.
- Equity investors often come with contacts and connections, which can help grow the company in new markets.

What's next?

- The first step should be to consider how much of your business you want to sell, as well as the purpose of the capital you raise.
- It's also important to make sure your financial, accounting and cashflow systems and reporting are robust and able to withstand detailed due diligence. We can work with you to identify any gaps and areas that need to be addressed.
- Understand the tax implications.



Click here to get in touch with an adviser about finding a private equity partner today.

Debt finance

What is it?



If you're considering refinancing any existing debt to make it cheaper, raising funding to support investment in the business, or using the capital to facilitate a sale of shares or dividend, this may be an option for you. It involves borrowing money from a bank or other lender (eg a private debt fund). Depending on the amount you're looking for, it could be either secured or unsecured.

What are the benefits?

- With this option, you typically retain full control and ownership of your business.
- Increased access to capital to finance your growth plans.
- Existing debt can be consolidated into a new arrangement, that could save you money in the long term and increase profitability.
- If your current debt is term-based, once it's paid off, growth can be achieved without selling part of your business.

What's next?

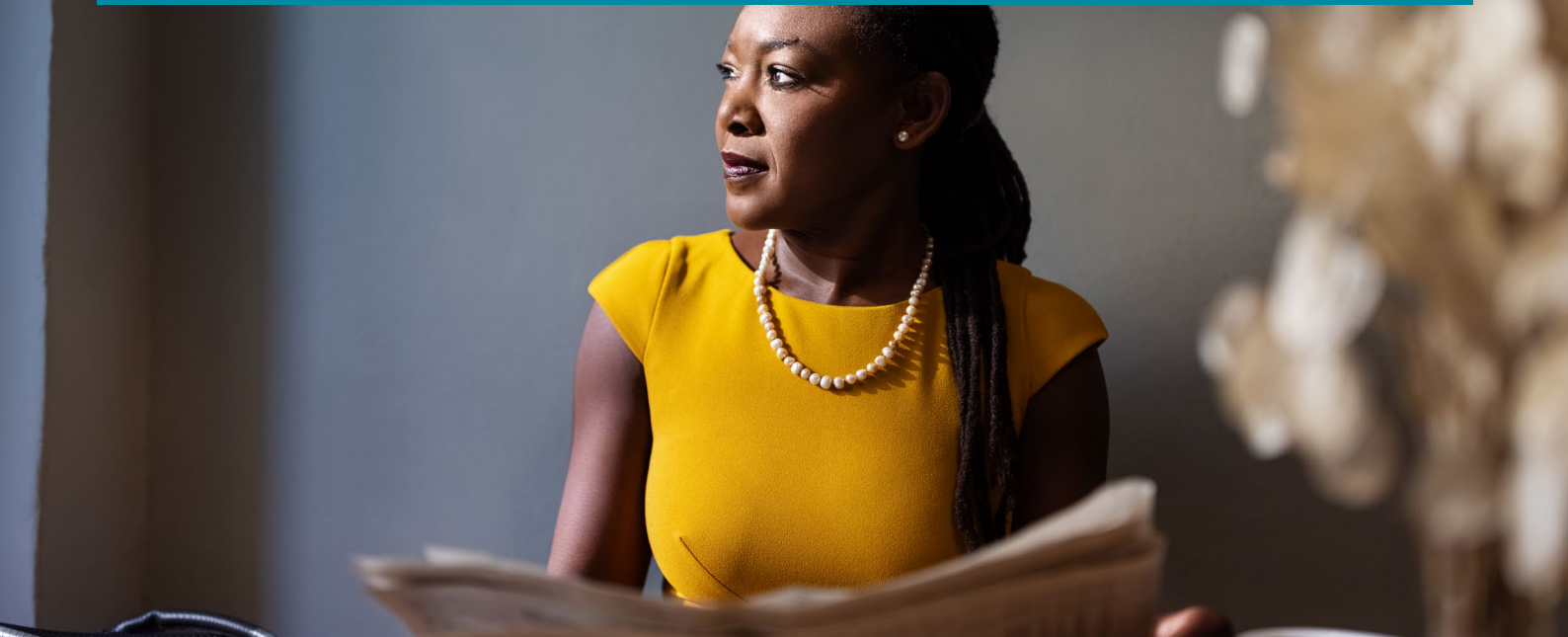
- With this option, it's wise to get advice first on whether new borrowing or consolidation could help you achieve your goals.
- Understand the tax allowances available for business debt, and the tax implications of using the debt raised to extract funds from the business (eg via dividend or capital transaction).
- Speak to an adviser to work out whether debt is the best financial option for you and your goals.



Click here to speak to an adviser about debt financing today.

Management buyout

What is it?



A management buyout (MBO) is when the management of the company buys some or all of the company's equity. Usually, this means management takes full control, though external parties can often be involved to facilitate long-term plans and growth. There is a variety of MBOs, including management buy-ins (MBIs), which are rarer and riskier than vendor-initiated MBOs (VIMBOs).

What are the benefits?

- If continuity for the business is important, selling to a team who've been instrumental in the company's success to date could be a wise choice.
- An MBO may be valuable in situations and markets where the number of trade buyers is limited, or where you don't want a competitor to take over your company.
- If legacy is important to you, it could be good to consider those in the business who are already invested in its success.

What's next?

- Firstly, with a complex option such as this, independent advice on the feasibility of an MBO is important. There may also be other options that match your objectives better.
- Next, you'll need to explore the various deal structures available, and understand the impact on you and the management team.
- Understand how the tax benefits of an MBO compare with other options.
- Seek advice on funding for future phases of the deal (including the consideration of equity and debt options).
- Lastly, you'll need to scope out the key stages of a journey like this, as well as the critical actions that need to be taken.



Click here to speak to a business adviser about an MBO today.

Your options in a nutshell

Business sale

Can facilitate retirement plans, or give you a chance to fund another business venture.

Transfer to family

Ensures the legacy of your business continues.

Transition to employees

Can result in an engaged workforce, and the business will be in the hands of those who understand it.

Private equity investment

Can provide immediate liquidity and further growth opportunities.

Debt finance

Ensures you stay in control, and could reduce costs on current debt.

Management buyout

A valuable option in limited markets, and it leaves the business in capable, knowledgeable hands.

No immediate sale

It may be that more preparation or time is needed.

Get started today

Contact the team at Forvis Mazars to set up an initial meeting, and find out exactly which option is right for you and your business. Once a meeting has been arranged, it's helpful to consider the answers to the following questions:

- 01** What are your objectives and goals? Your desired timelines? Your target value?
- 02** What are the skill sets and ambitions of your management team/family members?
- 03** What legacy do you want to create for the business?
- 04** How has your business performed historically, and how robust are your financial systems and supply chain?
- 05** What are your plans for growth, and what does your business need to deliver this?



Click here to speak to an adviser and set up an initial meeting to discuss your options.

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Contacts

Brad Purvis

Partner, Financial Advisory
Forvis Mazars in Melbourne, Australia
brad.purvis@forvismazars.com
Tel: +61 3 9252 0800

Christopher Cicutto

Partner, Financial Advisory
Forvis Mazars in Melbourne, Australia
christopher.cicutto@forvismazars.com
Tel: +61 3 9252 0800

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