



Selling your business for gain, not pain

PRACTICAL ADVICE ON WHEN? WHY? HOW?



DIRECT CAPITAL

EVERY BUSINESS OWNER SHOULD READ THIS:

While many business owners feel comfortable planning an expansion of their business, they shy away from taking the hard decisions about when and how to extract themselves from their business.

For many, it is a difficult decision to face because they have inadequately planned for life after the sale.

It's called 'exit fear'.

However, when you talk to cashed up business owners you see a very different picture from what you would expect. They are active in business, involved with numerous activities and still thinking of new ventures and have the lifestyle they want.

Everyone has a succession plan, but it's a few years away.

Sound familiar?

New Zealand has a wealth of successful, privately owned businesses built through hard work and astute business decisions made by passionate, committed owners. But when it comes to thinking about the right time to exit the business, many of us start to block out the rational commercial instincts that have served us so well, and instead take the approach favoured by the ostrich – putting our head firmly in the sand.

It's understandable, deciding to sell is more than just a business decision; it's an emotional one too.

When you think about what's at stake, it's not hard to see there are a host of reasons why you should avoid the head in the sand approach and start planning now. It's about your succession plan, about managing the divestment of your business, and planning what you will do with your time, what you will do with your money, and how you arrange your domestic and family matters as a result.

It's about how you will live your life after the sale.

In these pages, we'll test some old theories about selling a business; tell you about some options you probably hadn't realised were available to you, such as retaining an ongoing role after the sale. We'll certainly give you plenty to think about; we'll also give you some compelling reasons why talking to us would be a smart move too.

Take a health check, with a splash of reality

You've put the hours into building your business. You've been passionate about it and you've succeeded. You talk about the business when you're with friends and family; it's a huge part of your life. Stepping aside from running the business is probably something you have in your 'five year plan'. You probably also talk about wanting to fish, play golf, rediscover horse riding or travel, but then claim the business will probably be worth more in three years time, so you'd best stay at the helm a little longer.

There's probably a nagging voice inside telling you that's not strictly true.

Are you:

- Less motivated about the business than you once were?
- Making decisions based on short term outcomes, rather than long term gains?
- Finding the challenges of today's business environment more tiring than exciting?
- Setting less ambitious business goals?
- As fit and healthy as you want to be?
- Wanting to have more time with your family?
- Finding it harder to turn down opportunities to travel, or do other things because of work?
- Convincing yourself that your children want to take on your business?

If the answer is yes to any, or all, of these questions, there's a good chance you are compromising the future of your business and its value. You're almost certainly compromising your family and yourself.

It's time to act. Start now by talking to us.



Tom wants
to step into the business;
he'll get tired of living in London soon.

Europe for six weeks?
I can't be away from the business that long.



14 years ago we set up Direct Capital specifically to buy and invest in private companies.

That's exactly what we do today.

Who are we?

Direct Capital

We are

- New Zealand's leading investor in private companies
- A private company owned and managed by three founding directors (all with succession plans)
- Consistently voted 8+/10 as a business partner by companies we have invested in
- Based in Auckland but active across the country
- Proud of our New Zealand heritage
- Real people; approachable and easy to deal with

We've got

- \$225m equity available to invest today, plus access to funding from all major banks
- A history of investment in over 50 private companies
- Executives who come from Auckland, Apiti, Linton, Tauranga, Hawera, Wanganui, Taipei, Melbourne, Berlin, Essex, Kent, Amsterdam, Nelson, Chicago
- Investments or operations in all New Zealand cities and most large provincial towns
- No debt and an independent structure with no red tape or protocols to negotiate
- A real interest in talking to you

"I didn't want to disclose commercially sensitive information about my business to my competitors. I sold my business to Direct Capital, but structured the sale so I retained a minority shareholding. I carried on working in the business for two more years.

I liked Direct Capital's proposal because it wasn't all or nothing. I chose to stay in the business throughout the transition and in the end kept a 20% shareholding; an ideal outcome for me.

What's more, the sale to Direct Capital was easy and my management team who had helped build the business became owners."

At Direct Capital, we view ownership change as an exciting time, a gateway for you and the business to map out a new direction. Many of the vendors we've worked with say they wish they'd done it years ago!

Why should you talk to us?

Selling your business, or a stake in it, is far more than a simple financial transaction. The money matters, of course, but there's also a strong emotional undercurrent running through the sale process. We know and understand this through our experience working closely with the owners of over 50 private businesses we have invested in.

Direct Capital offers you more than just funds. We don't have a set formula or template; our investment mandate and criteria is broad. We are very flexible in how, where and on what terms we invest. This flexibility means we're adaptable and open to ideas around structuring our investment in a way which works for you. Tell us your ideal scenario and we'll tailor our proposal to fit.

We're flexible

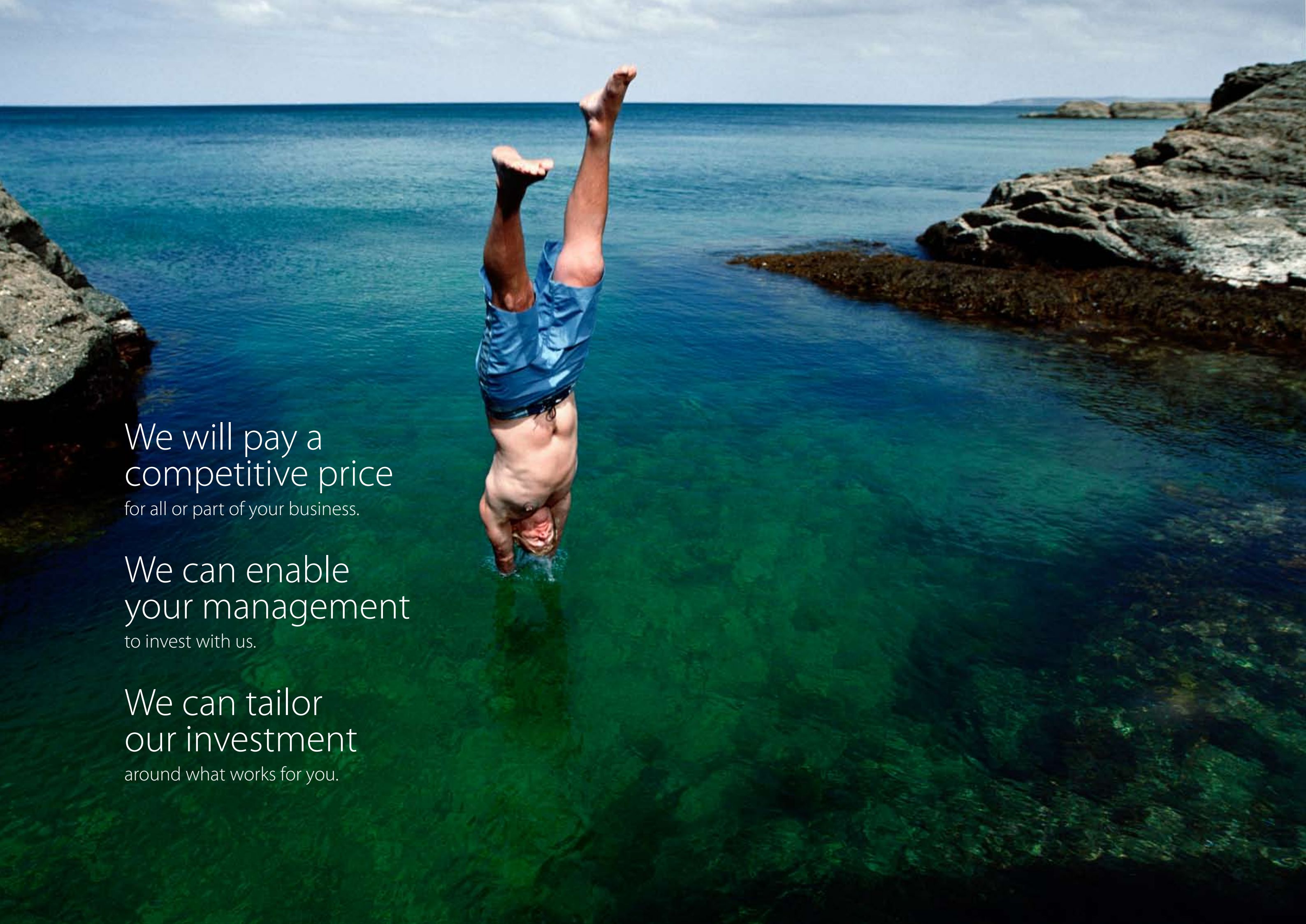
Unlike many other private equity providers, we are not constrained by strict parameters on the type of businesses we can invest in. We don't just want you to take your cheque and disappear either. You may want to remain involved in the business, but not have the full responsibility of it weighing on your shoulders. We recognise the value of owners staying onboard and can work our investment around the level of time and commitment you would like to retain.

We like to keep it simple

We're not interested in making mountains out of molehills. We don't want to get bogged down in administrative process which soaks up time and money. We make quick decisions and communicate honestly and transparently.

Strength in diversity

Our team of 15 investment and industry specialists is one of the largest and most experienced in New Zealand – our backgrounds are entrepreneurial, industrial, scientific, financial, consulting and legal. This diversity and mix of specialist skills is our strength; it broadens our view and enables us to make informed and fair decisions based on a real understanding of differing products, markets and people.

A man in blue shorts is performing a handstand in clear turquoise water between rocky cliffs. The water is exceptionally clear, showing the seabed and rocks below. The sky is bright and blue with some light clouds. The overall scene is serene and suggests a high-quality, natural environment.

We will pay a
competitive price
for all or part of your business.

We can enable
your management
to invest with us.

We can tailor
our investment
around what works for you.

How does Direct Capital work?

Taking the mystery out of the process

Taking the first step

There's nothing to lose by talking to us at this point, even if you are still unsure about your timeframe for exiting your business. Initial conversations are always very informal.

Our ability to be flexible and accommodate different ideas means there is no standard process we follow during a transaction. As a guide, the path towards concluding a sale, or partial sale, to us might be along these lines:

Let's meet

A totally confidential meeting and open discussion between our most relevant specialists and yourself. You tell us about your business and what you are aiming to achieve. We talk to you about the ways you can best achieve the outcome you want. We both have a chance to gauge whether we're a good fit.

The assessment stage

With your permission, we'll do our homework. We'll engage in research and conclude whether Direct Capital is the right business partner for your particular business.

Introduce us to your management

If the fit between us seems right, we'd like to meet your management team as soon as possible. It's important to determine whether we are mutually interested in working together and that we have key values and aspirations in common. Business owners are often convinced that their management don't know the business may be sold. In fact, they usually do know; just not when exactly.

Talk terms

This is the point where we discuss various ways in which value can be set and the transaction can be managed. By now, we both know we're interested in doing business, so there's a common desire to accommodate one another's preferences.

Deal or no deal

After completing the steps outlined previously (which can happen within as little as one week), we can mutually agree a deal, or move on. The beauty of our process is that there is no damage if there is no deal. We are not competitors in your industry and we will keep anything we have learned entirely confidential.

If we shake hands on a mutually acceptable deal, we'll move towards documentation and due diligence. The timeframe for this varies hugely depending on how readily available company information is. It can take from two weeks to two months. We will do all we can to keep things moving forward, and will expect you to do the same.

Due diligence

Up until now, we've assumed that the picture you've painted of your business reflects the reality. The due diligence process gives us assurance this is the case and then we can proceed with confidence. We won't undertake due diligence until all other matters are agreed.

Structure

We'll agree the structure with you; the bank funding and our corresponding stake in the business is finalised.

Documents

The full and final terms of the deal are documented and checked. We're almost there.

Sign on the dotted line

The Sale and Purchase agreement is signed – we have a deal. We can negotiate who pays for the champagne!

Settlement and fund transfer

We show you the money. You start living the life you've planned; with an ongoing role within the business, or as a completely free agent.

Ready?

We've gone into some detail in this brochure to give you a feel for our style of working, but there's much more to tell. We'd like to tell you about some of our other investments; there'll be some which parallel your own situation. Sharing our extensive experiences will help you to bring the possible shape of your future into sharper focus, making the way ahead clearer.

Confidentiality is assured. We will provide a letter of confidentiality before meeting if you prefer. Ask about us in the marketplace – we're confident you'll hear about our integrity and our sensible, human approach to business.

When you start to imagine actually living the life your business was always intended to deliver for you, we think you'll find it very appealing. Sooner rather than later.

Contact any member of our team:

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