

PLANNING FOR THE FUTURE AND MAXIMISING VALUE



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RSM Ireland



THE POWER OF BEING UNDERSTOOD

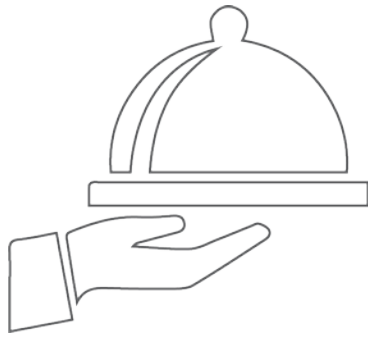
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PLANNING FOR THE FUTURE – BUILDING VALUE

Agenda for the day

Time	Activity	By
16:00-16:15	Registration/tea & coffee reception	
16:15-16:20	Introduction	John Glennon
16:25-16:45	Creating value through well thought out professional management systems and structure	Catherine Corcoran
16:45-17:00	Getting financially ready to maximise Value	Emma Cadden
17:00-17:15	Tax implications and how to plan to maximise return	Aidan Byrne
17:15-18:00	Panel discussion chaired by Catherine Corcoran	Tom Tierney Paul Thompson
18:00	Networking, wine & canapés	All

Canapes and Drinks served in Courtyard at 18.00



Maximising Value requires:

1.	Change and Conversations!
2.	An Understanding of where you are at
3.	A good sense of who you are and how you do business – the Mission and Values piece!
4.	An Integrated Inclusive Approach - Finance/People/Marketing/Operations
5.	Operational Plans and Strategic Plans!
6.	Execution of Strategy – Fit for Purpose Management system
7.	Engaged People and Engaged Customers
8.	You to Develop Your People – Creating Self Awareness is Key

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1. CHANGE AND CONVERSATIONS

1. Change and Conversation



“ Change is the law of life. And those who look only to the past or present are certain to miss the future

-John F. Kennedy

”

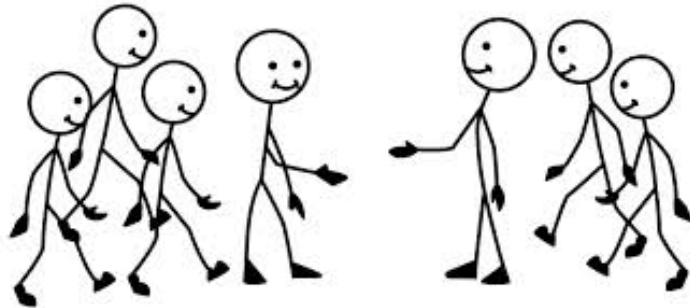


“ One good conversation can shift the direction of change forever

- Linda Lambert,
Author of The Cairo Codex

”

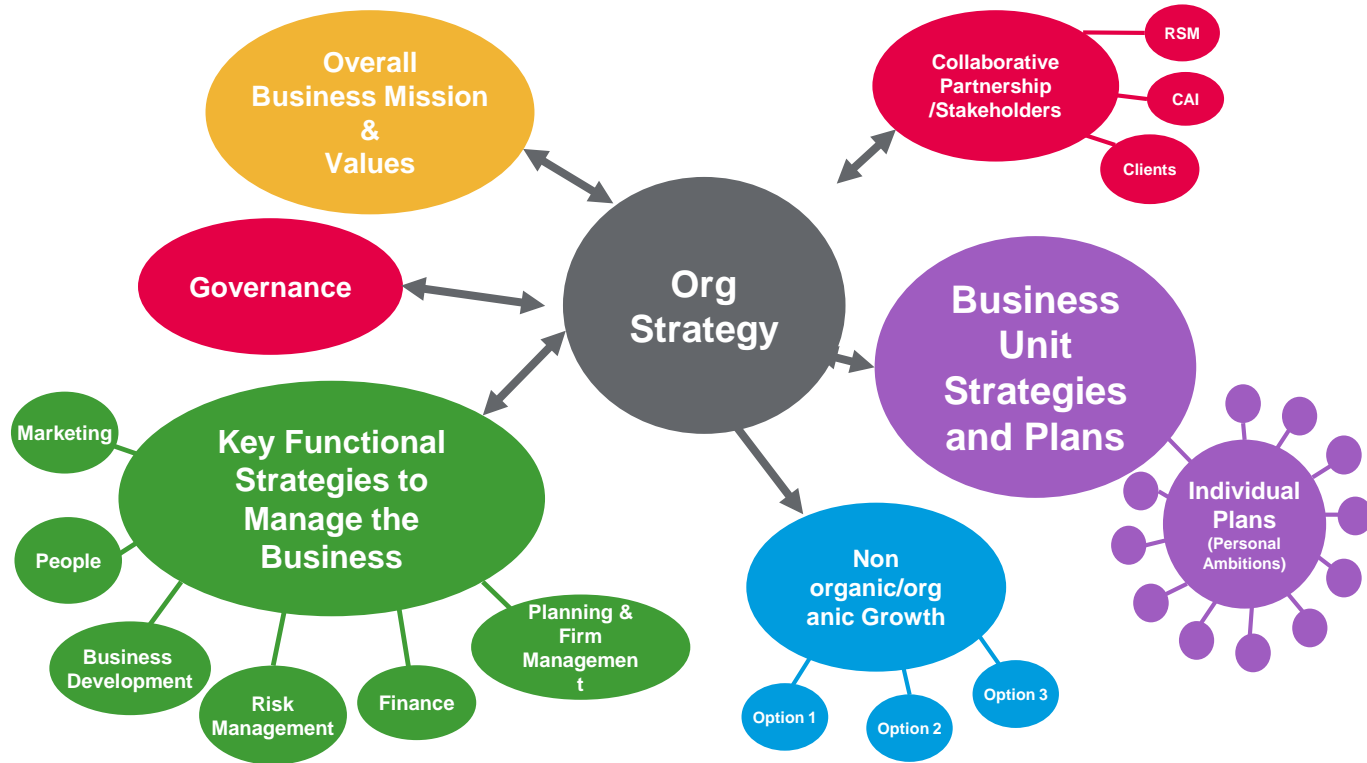
On a scale of 1 to 10 how open are you to a) change and b) Conversations?



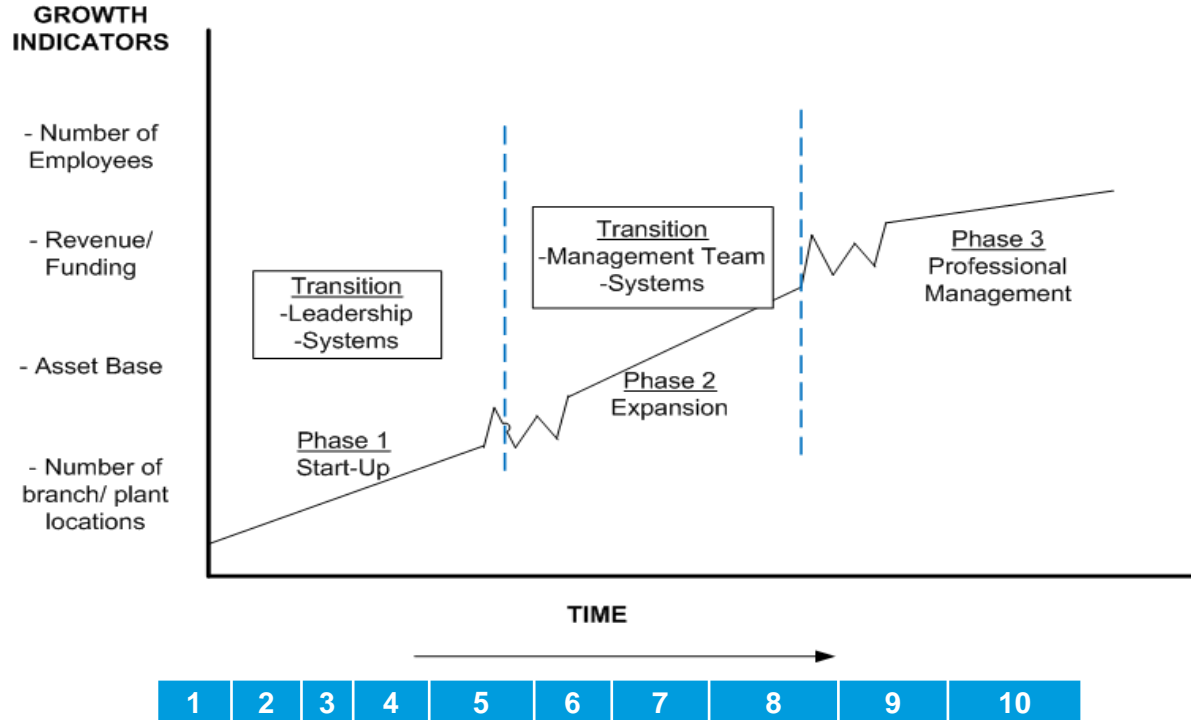


2. AN UNDERSTANDING OF WHERE YOU ARE AT

2. An understanding of where you are at – the context!



2. Evolution of an organisation – Where are you at?



Phase 1: Start up

CHARACTERISTICS		POTENTIAL PROBLEM AREAS	
1	Founders often still there and running the organisation	1	Not clear who is in charge when there are two or more founders in the business
2	Founders are market builders; usually not strong managers	2	Conflicts between founders can occur
3	Emphasis is on services and selling them	3	Poor accounting and controls
4	Minimal emphasis is on management systems, planning, etc.	4	Funding shortages
5	Organisational and communication informal	5	Minimal financial planning
6	Long work hours – modest salaries	6	Little or no business planning
7	Management reacts mostly to customers rather than employees	7	Temptation to diversify into unrelated areas
8	Growth greater than inflation but modest	8	Financial performance reporting and control systems are often inadequate for volume of activity

Phase 2: Expansion Phase

	CHARACTERISTICS		POTENTIAL PROBLEM AREAS
1	Leader chosen and accepted	1	Delegation is increasingly difficult for the leader
2	Often present in multiple locations	2	Access to the leader becomes difficult
3	Detailed attention given in addition to services and selling them, such as: <ul style="list-style-type: none">• Marketing• Personnel• Accounting, budgeting and finance• Information processing	3	Managers are not accustomed to making their own decisions
4	Employees duties more specialised, formally defined and communicated	4	Managers are not permitted to make decisions in their own area
5	Growth rate faster than Phase 1; sometimes accelerates to a very fast rate	5	Poor decisions are made in areas such as: <ul style="list-style-type: none">• Information processing• Facilities expansion• Hiring key employees• Use of funding• Financing
		6	Problem solving is time consuming
		7	Shortages of management time and funding
		8	Reactionary planning
		9	Temptation to sustain fast growth so loyal employees will have opportunity
		10	Temptation to diversify into unrelated areas

Phase 3: Management Phase

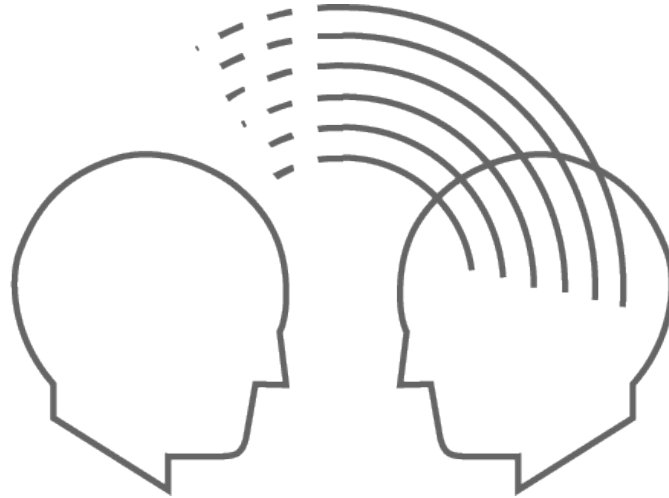
CHARACTERISTICS		POTENTIAL PROBLEM AREAS	
1	Aligned management team in place	1	Reaction to change becomes difficult – reaction time has increased
2	Necessary financial performance reporting and control systems in place and operational	2	Senior management feels it is losing control – less direct contact with day-to-day operations
3	Decentralised organisation by function	3	Increased vulnerability to outside factors, such as: <ul style="list-style-type: none">• Government• Independent commercial providers
4	Organisation has identified beyond the founders and current leader	4	Increased vulnerability to inside factors, such as: <ul style="list-style-type: none">• Politics• Outdated corporate culture• Bureaucracy
5	Short and intermediate term plans in place	5	New areas of opportunities continually identified but reaction to them is cumbersome – trial and error
6	Managers doing more managing than technical work	6	Threatened by competitors
7	All “elements critical to success” bases are covered	7	Little communication from the top
8	Funding centres established	8	Need for longer range planning is evident but resistance to doing it
9	Growth rate moderate – usually slower than Phase 2	9	Temptation to commence faster growth rate than the organisation can absorb and stay in control



3. A GOOD SENSE OF WHO YOU ARE AND HOW YOU DO BUSINESS

3. Who are we and how do we do business?

Culture eats strategy for breakfast



3. Who are we and how do we do Business?

Your Mission- Knowing what the purpose of your company is.

Your Values- Beliefs that guide your choices and actions, unite your employees and define your company.

RSM's **mission** is to deliver The Power of Being Understand to our clients, colleagues and communities and our **values** are how we go about this.

RSM Values are:

Excellence –
Be the best in
everything we
do



Innovation –
Welcome
ideas to solve
our challenges



Teamwork –
Work
effectively
across
functions



Integrity –
Always do the
right thing



Respect –
Treat others
as we would
like to be
treated



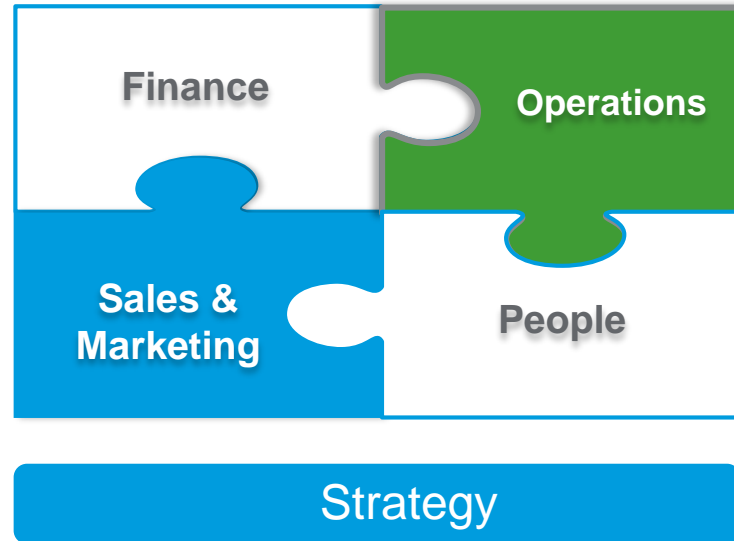
Stewardship
– Better our
firm and
develop our
people





4. AN INTEGRATED INCLUSIVE APPROACH

4. An Integrated inclusive approach



4. An integrated inclusive approach

Diversity and Inclusion
promotes enriched
thinking, points of
views, challenge



Good Decisions

Its not just about Gender, Marital Status, Family Status, Sexual Orientation,
Religion, Age, Disability, Race



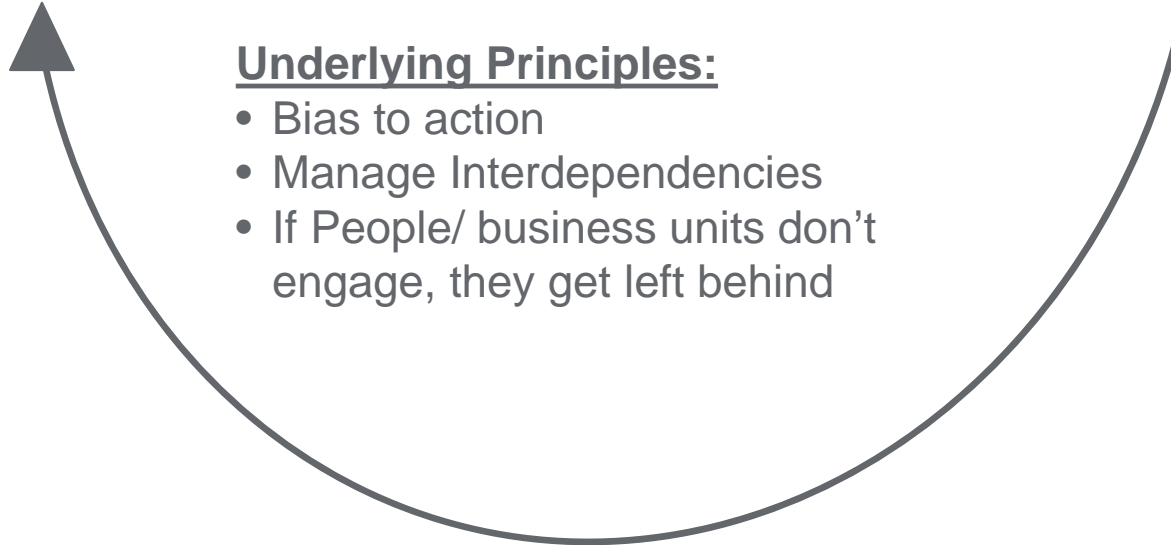
5. OPERATIONAL PLANS AND STRATEGIC PLANS

5. Operational plans and strategic plans:

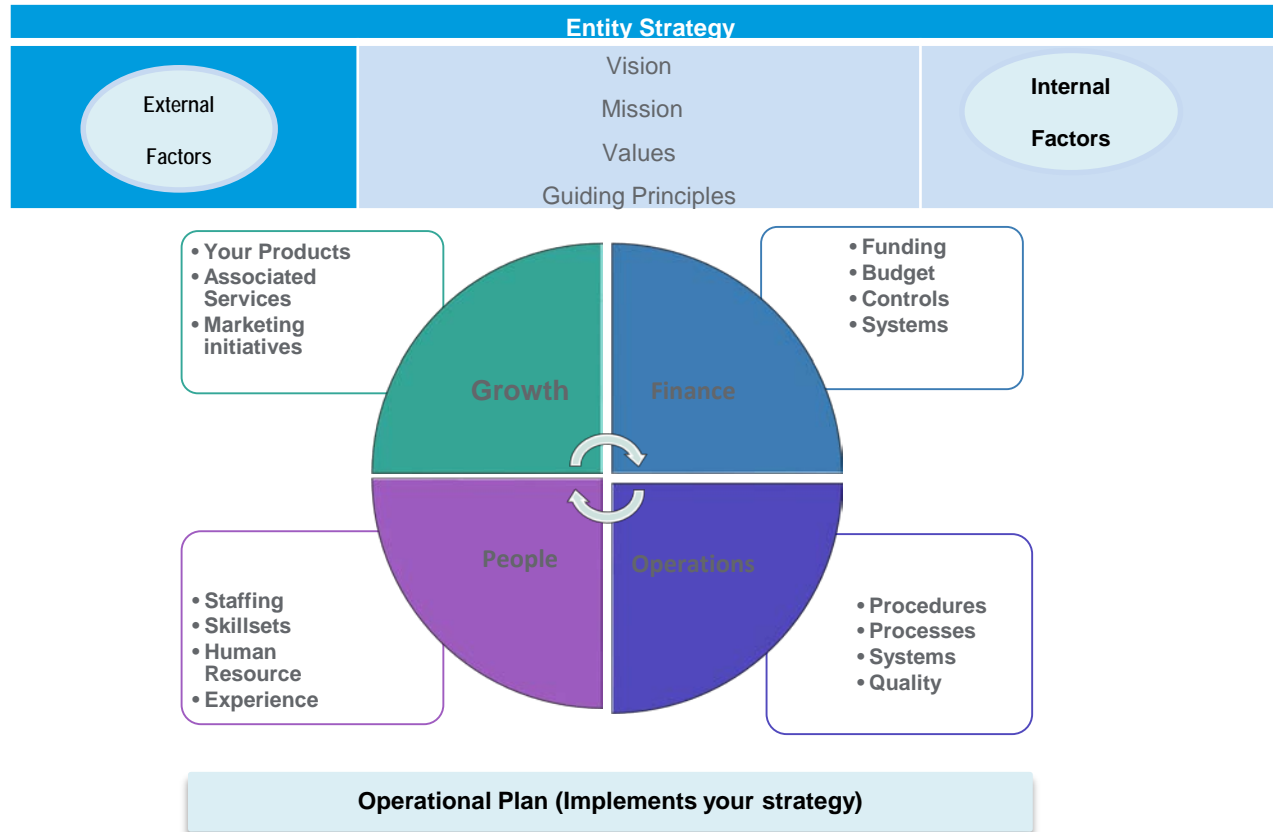


Underlying Principles:

- Bias to action
- Manage Interdependencies
- If People/ business units don't engage, they get left behind



5. Operational Plans and Strategic Plans





6. EXECUTION OF STRATEGY

6. Strategy execution – a source of competitive advantage

Ability to execute within our organisations can be a source of competitive advantage.

6. Execution of Strategy – Business Action Planning!



6. Execution of strategy – People a Differentiator



6. Execution of strategy – people deliver plans

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The Priority Actions are drilled down to key people PCDPs

6. Execution of strategy – embedding strategy in performance areas

KPI's

Finance

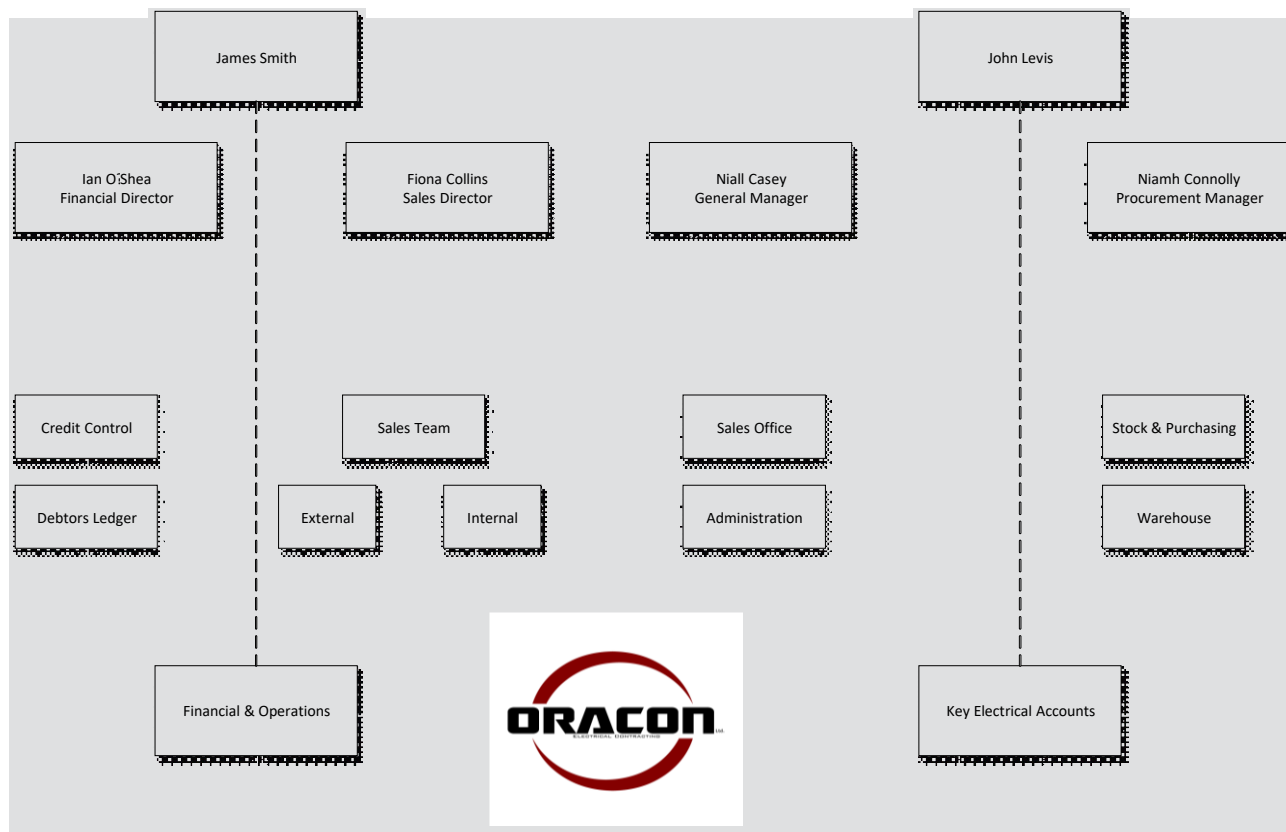
Sales &
Marketing

People

Product

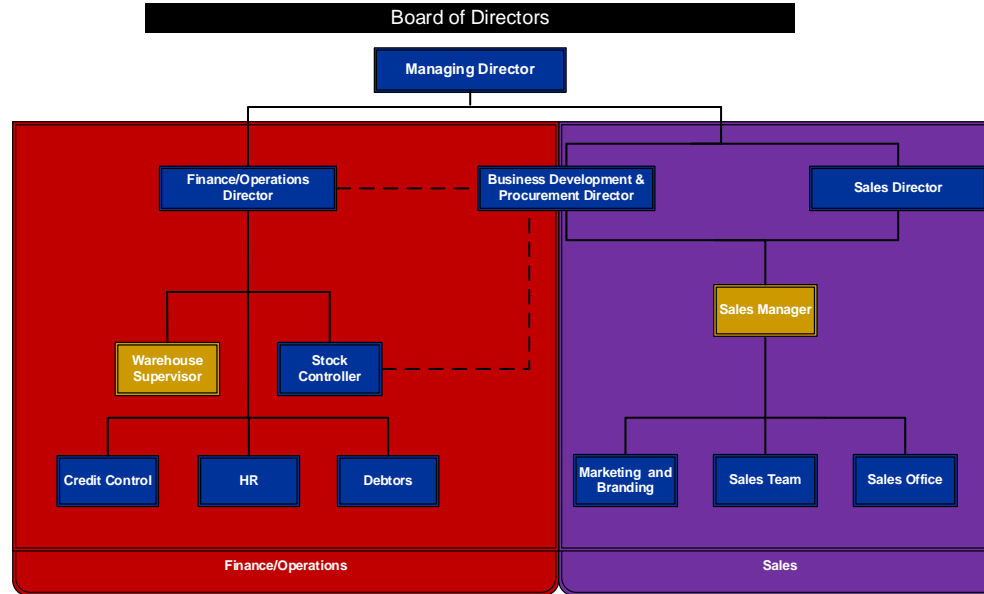
- Strategic Plan
- Organisational Structure
- Business Plans
- Personal Career Development Plans
- Management Team Agendas
- Management Information Systems
- Performance Management

6. Execution of strategy – Org structure – Before



6. Organisation Structure – After

Oracon – Illustrative Organizational Structure For Discussion – V4



New Post

Current Post



7. ENGAGED PEOPLE AND ENGAGED CUSTOMERS

7. Engaged Customers and Engaged People

Our Customers	Our People
You understand my business objectives	You understand my personal and professional aspirations
You spend time thinking about my work/role outside of the issue in hand	You spend time with me beyond a specific assignment/job
You bring me ideas that help me make confident decisions	You give me opportunities to grow as a professional
There are no surprises in our working relationship	There are no surprises in our working relationship
You take a personal interest in me	You take a personal interest in me
You provide candid feedback on how my business is doing	You provide candid feedback about my performance and my future
You respond quickly when I have a question or issue	You are accessible when I have a question or issue

7. Engaged people and Engaged customers maximise value

- Living your brand...





8. YOU TO DEVELOP YOUR PEOPLE – CREATING SELF AWARENESS IS KEY

8. Developing your people – self awareness

Group Strengths

1. Highly creative
2. Deep thinkers
3. Like authority and respond to it
4. Not really interested in titles/public recognition for the sake of it
5. Very personally motivated
6. Competitive as a group
7. Structured as a group
8. Very strategic
9. Very organised
10. Not a strong requirement for feedback

Group Development Areas

1. Low empathy
2. Team work low
3. Low consensual and cooperation
4. May not be as inclined to delegate work
5. Highly traditional approach to management and decisions
6. More inclined to enjoy the autonomy offered by silo working
7. Do not naturally enjoy team work environments
8. Not as inclined to give feedback
9. Innovation is only mid-level
10. Manoeuvring is high – Be aware of this!



RECAP

Maximising Value requires:

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THANK YOU FOR
YOUR TIME AND
ATTENTION



EMMA CADDEN

Transaction Advisory Services Director

RSM Ireland



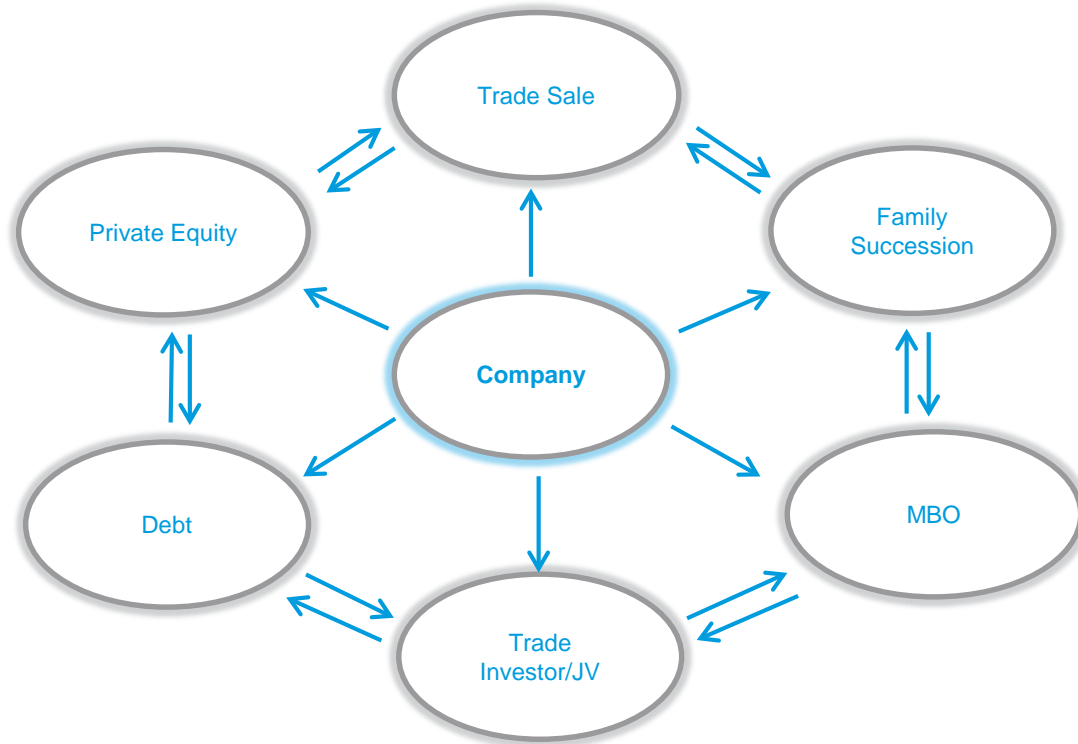
THE POWER OF BEING UNDERSTOOD

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GETTING FINANCIALLY READY TO MAXIMISE VALUE

Why Plan?

EVERY BUSINESS WILL EXPERIENCE A TRANSACTION IN ITS LIFE CYCLE

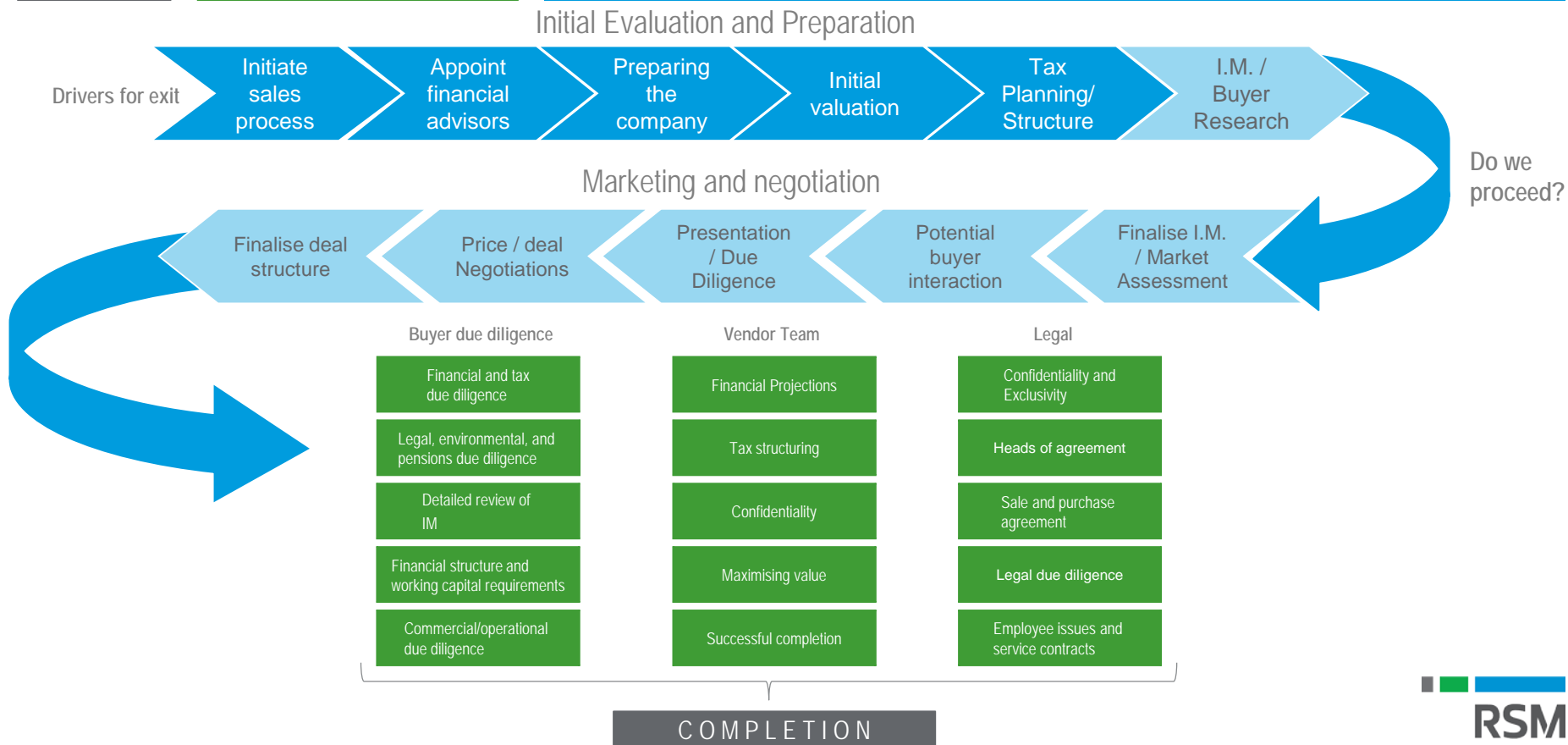


Why Plan?



CONFIDENCE

Sale/Investment Process



Valuations

Some of the most frequently used include:

- Asset based valuation
- Discounted future cashflows
- Earnings basis

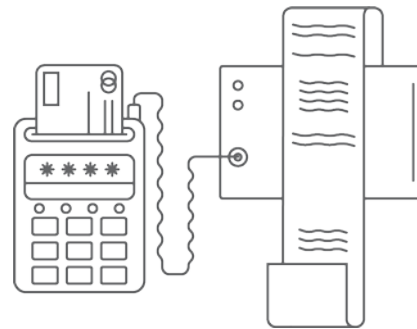


In most cases the value of the company:

$$\text{Capital value of future earnings} = \text{EBITDA} \times \text{Multiple}$$

Earnings Basis

- Historical financial performance
- Projected financial performance
- Concept of maintainable earnings
- Investigate potential add backs to maintainable earnings
- Establish the multiple



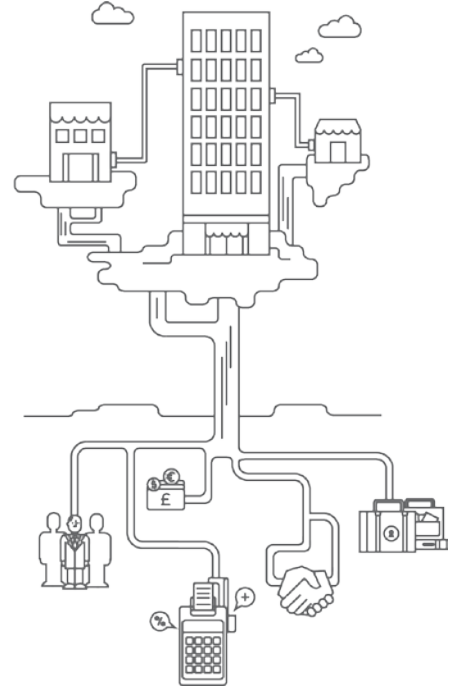
Enterprise value of the business

	€million	€million		
Initial enterprise value		X		Initial valuation (usually a multiple-based approach)
Adjustments		<div><div>(X)</div><div>X</div></div>	}	Might “hard-wire” some adjustments into valuation of Business. Examples might include pension deficits or capital expenditure requirements.
Debt/cash-free price plus cash (€ for €) less debt (€ for €) Net debt adjustment	<div><div>X</div><div>(X)</div></div>	X/(X)		
plus working capital less normal working capital Working capital adjustment	<div><div>X</div><div>(X)</div></div>	X/(X)	}	Adjustments to price driven by sale and purchase agreement mechanics (the “equity bridge”).
Other adjustments, for example capital spent vs budget		<div><div>(X)</div></div>		
Purchase price (equity value)		<div><div>X</div></div>		

Initial Evaluation and Preparation

Initial Evaluation & Objectives

- Reasons for sale or transition of the Company?
- How strong is the Company's historic and projected financial performance
 - Operating metrics – sustainable profits and growth?
 - Market position
 - Customer base
 - Management team
 - Facilities



Initial Evaluation & Preparation

Get Organised

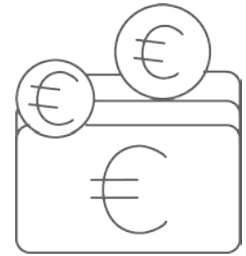
- Books and records
- Completed audited financial statements and reliable management accounts
- EBITDA adjustments
- Projected financials and related assumptions



Due Diligence Items

- **Quality of Earnings**

- Revenue recognition
- Customer / product / service / geographical / supplier concentrations?
- Verification of EBITDA adjustments
- Margin analysis – gross, EBIT, EBITDA and adjusted EBITDA
- Operating risk analysis
- Maintainable earnings v free cash-flow



Due Diligence Items

- **Quality of Assets**

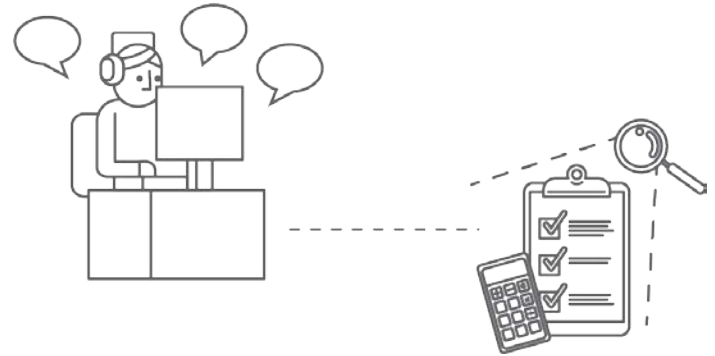
- Working capital
- Under recorded / unrecorded liabilities
- Up-to-date valuations



Due Diligence Items

- **Operations / Commercial**

- Backlog / contracts
- Customer relationships – formal/informal
- Operations and supply chain
- Facilities



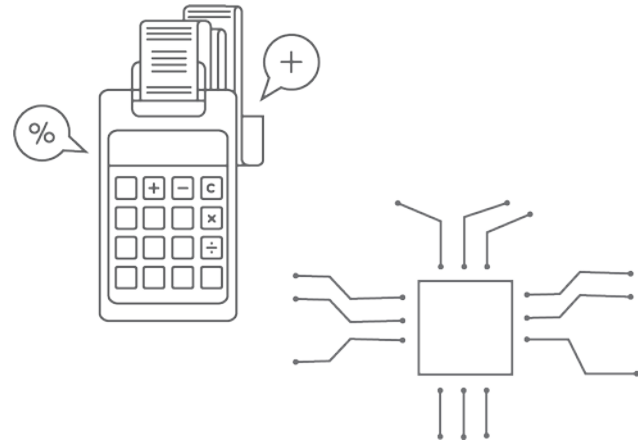
Due Diligence Items

- **Quality of Information**

- IT / MI systems capability and capacity
- Effective and accuracy

- **Tax**

- Compliance / exposure
- Planning opportunities





AIDAN BYRNE

Tax Partner

RSM Ireland

Tax Aspects Of Building Value

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Process

Stakeholders
to be
considered

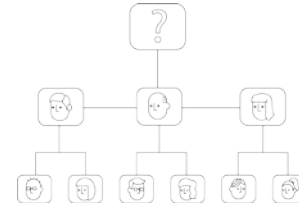
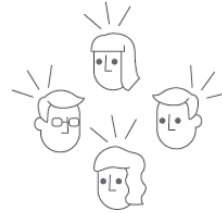
What is the
strategy?

Specific Tax
Matters to be
considered

Tax Aspects Of Building Value

Process

- Start early → Give it the time it deserves
- Engage with management team in organisation
- Develop your leaders
or
- Find a way for generations to learn from each other
- It is not succession planning – it is succession development
- For family companies acknowledge that keeping it in the family may not be easy
- Be prepared to change course!



Tax Aspects Of Building Value

Stakeholders to be Considered

- Senior management and employees
- Family
- Customers and suppliers
- Bankers and financiers
- Yourself!



Tax Aspects Of Building Value

What is the Strategy?

- Tax is complex and is multi-faceted
- When looking at the profit or value, the key is to focus on profit/value after tax.
- Consider longer term objectives versus shorter term tax savings.

*"The hardest thing in
the world to understand
is the income tax"*
- Albert Einstein

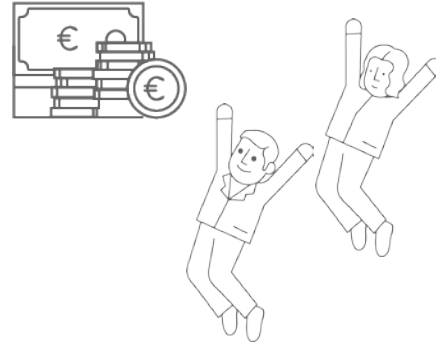


Tax Aspects Of Building Value

Specific Tax Matters to be Considered

1. Staff Engagement

- Share incentive schemes
- Keep incentive Scheme
- Phantom share schemes



2. Pros and Cons of giving shares/options to employees

- Good/bad leaver provisions
- Loss of control



Tax Aspects Of Building Value

Tax Reliefs to be Considered

Retirement Relief & Business Relief

Valuable reliefs that can reduce tax liabilities in circumstances of succession to family or via a trade sale

CGT Relief on sale of chargeable assets where proceeds up to €750,000 (€500,000 if over 66) are disregarded for CGT purposes. No limit on sale to family members if under 66, restricted to €3,000,000 over 66.

Business Relief facilitates the passing of assets to family members at 10% of their actual value

Neither relief requires the individual passing the assets to actually retire

Tax Aspects Of Building Value

Tax Reliefs to be Considered (Continued)

Entrepreneur Relief

Allows for a reduced rate of 10% to a gain arising on the disposal by a *relevant individual* of their *chargeable business assets (CBA)* up to a lifetime limit of €1M

Relevant Individual will have owned the CBA for a continuous period of not less than 3 years in the previous 5 years, immediately prior to the disposal. They will have worked on a full-time basis in a managerial capacity within the business for that time

CBA are assets, including goodwill, used for the purposes of a qualifying business. This also includes shares of a company in which a qualifying business is carried out, including shares in a holding company

Recent anti-avoidance legislation introduced to restrict connected party transactions

Tax Aspects Of Building Value

Holding Company Regime

Use of a holding company can result in greater flexibility

Participation Exemption allows for tax free sale of trading subsidiaries if certain conditions are met

Full sales proceeds of trade sale of trade assets are paid to holding company which can either be utilised for further investments or it can be liquidated to achieve same outcome as direct sale of business---but you control tax payment date

Growth shares can be given to family members to bring them into legal ownership of the wealth generation assets---control issues to be carefully dealt with in advance of widening ownership structure

INTRODUCING THE PANEL

PAUL THOMPSON

Managing Director

Uppercross Enterprises Ltd.

TOM TIERNEY

Director

Lifes2good

Thank you
for your time
and attention