

Exit readiness

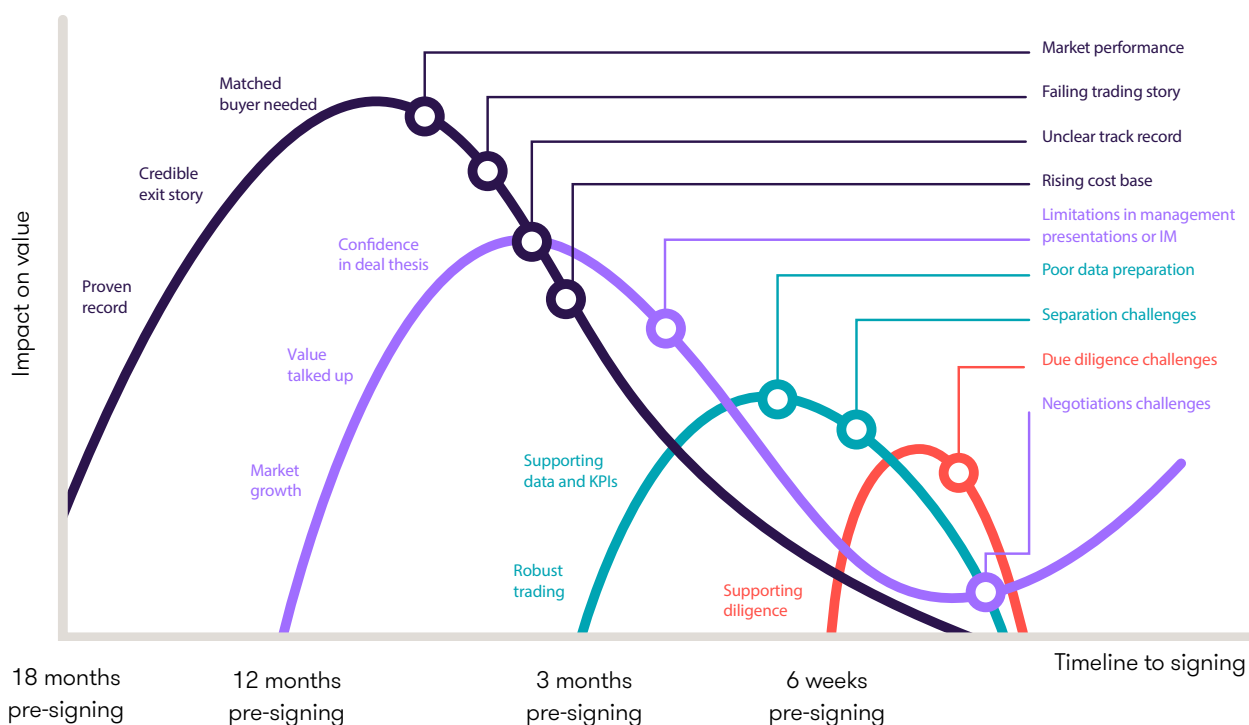
Maximising value on your journey to exit



Maximising your exit value

Value leakage factors

When preparing for a transaction, there will be levers to pull that can enhance value, as well as areas to address to ensure that value is protected. Value leakage can, and does, occur at various stages throughout the exit cycle. It's hard for businesses to prepare fully for sale processes, and it's often too late once an exit gains momentum. Planning early with sufficient breadth and detail is critical for maximising value on exit. This guide shows what you need to do, and shares our approach for helping you do it.



Forecasts and planning – the fundamentals of protecting value

Drawing on our extensive experience supporting clients through exit processes, we've identified six key areas that we believe are fundamental to success:

- 1 Early preparation and identifying key risks and opportunities across the full breadth of your business – not just your historical financial performance but your enabling-infrastructure, governance, and people
- 2 Flexible planning for alternative exit strategies, reflecting likely bidder requirements
- 3 Clarity on historical performance drivers, robust historical financial information, and a suitable forecasting process with a strong forecast model based on appropriate assumptions
- 4 A well-articulated business plan, underpinned by realistic assumptions, and robust plans which bidders can easily understand and 'buy-in' to
- 5 Strong and consistent leadership of the sale process and an appropriate focus on change management
- 6 Tax is often the largest cost in a transaction and, if not managed proactively, can erode shareholder value, delay execution, or even cause deals to fall through

Value leakage can be mitigated by proper preparation. We highly recommend that your first step is an independent exit readiness assessment to identify aspects of your business which will need to be addressed or leveraged for a successful and smooth exit process. Our readiness assessment is a modular toolkit that helps you fully understand your gaps in successful exit preparation.

Taking a holistic view

A more rounded approach to 'readiness'

While financials are central to any transaction, focusing solely on them can risk future performance and sustainability. Equally, culture alone won't guarantee operational readiness. True optimisation comes from balancing the 'what' (strategy, plans, and numbers), with the 'how' (values, systems, and behaviours) that shape decision making and refine the sales story. This holistic view helps minimise value leakage and strengthens exit outcomes.



Key exit readiness considerations

- **Leadership planning** – Identify and prepare successors for key leadership roles to ensure continuity and stability during the transaction and transition
- **Strategic vision** – Develop a clear exit strategy that aligns with the company's long-term goals and objectives, and is positioned in a way that will resonate with bidders. This includes identifying the optimal exit route
- **Valuation and market position** – Understand how your business will be valued, and what attributes are given most weight by buyers when assessing value
- **People and culture** – Maintain appropriate communication with employees, implement retention strategies for key talent, and ensure cultural alignment with the acquiring entity
- **Enabling functions** – Assess and develop the capabilities of your internal functions (Finance, IT, HR) to ensure they're well-prepared for the exit. This includes future proofing to support the long-term success of the business
- **Operational improvement** – Develop a strategy for operational improvements encompassing the expected exit timeline, with a focus on maximising EBITDA and capital efficiency
- **Resource planning** – Ensuring that your organisation has the right skills and bandwidth in place to maintain 'business as usual' as well as plan for, prepare for, manage, and execute your exit transaction
- **ESG strategy and reporting** – Assess the company's current ESG strategy and reporting requirements, considering the risks, regulations, and opportunities
- **Governance and controls** – Consider the decision making processes and governance of your organisation – including how an exit may change these – as well as the efficiency and effectiveness of your control environment
- **Financial information** – Collate detailed financial information and records that clearly present the company's financial health and future projections – preferably organising all relevant financial documents for data room due diligence
- **Tax management and optimisation** – proactively managing corporate, personal, and employee tax positions to identify and mitigate material risks that could affect exit value and deal execution, and optimise net of tax returns to vendors
- **Technology and infrastructure** – Review your technology landscape and cyber security environment to allow time to mitigate risks

Independent readiness assessment

All organisations are different and we don't take a cookie cutter approach. Where you have already formed your own view in any area, we'll scope out sections as appropriate to create your bespoke exit readiness assessment.

Leadership planning

- Does the current leadership have the capabilities and experience to manage the company during the transition and beyond?
- How will the preparation and the transaction itself be planned, managed, and resourced?
- Is there a clear succession plan for key roles?

Strategic vision

- Is the corporate story clear, with a robust business plan that will stand up to bidder challenge?
- Is the deal thesis / strategy clear, including the likely bidder types and specific potential interested parties?
- Is the deal perimeter clear – ie, brands, business units, divisions, territories, assets, contracts, shares
- Are you planning for an appropriate exit mechanism and route
- Does the exit strategy align with the company's long-term goals and objectives?

Valuation and market position

- Have you conducted a business valuation and assessed the company's market position to understand potential valuations?
- Are the underlying key value drivers identified and clearly articulated in the business plan to attract potential buyers?
- Does the current business plan showcase the growth potential effectively to attract potential buyers?
- Have you analysed your competitive position against key competitors in your market/jurisdiction, and are you able to communicate your differentiated proposition accordingly?

People and culture

- Are you clear on who needs to be 'in the circle' and who will remain outside?
- Have you a clear plan for what to communicate, at what timeline, to which audiences?
- What plans do you have in place to incentivise and retain key people?
- Will the exit planning have any effect on the culture of your organisation and how you manage that with potential buyers?

Enabling functions

- Will any of your enabling functions be seen as enablers for business plan delivery post-deal?
- Are your Finance, IT, and HR functions capable of preparing for a transaction and managing 'business as usual' at the same time?
- Are these teams geared up to respond quickly to requests arising in your exit process?

Operational improvement

- Do you have clarity on the underlying drivers of the historical performance?
- How robust is your operational performance, capability, and cost base? What are your plans for improvement, including the rationale, benefits, and opex/capex?
- Is your working capital performance optimised? If not, when and how should you improve it, considering your intended exit timing?

Financial information and other data

- Are you 'diligence ready' in terms of financial information and other data?
- Do you have robust historical and forecast financial information, including: quality of earnings, cash flows, and net assets?
- How flexible are your forecasts and forecasting process, including sensitivity analysis?
- Are your forecasts providing realistic projections based on historical data and market trends?
- Is your data in an appropriate form to be utilised in data dashboards which can allow for quick visual analysis and interrogation by a buyer/their diligence provider?

Resource planning

- Do you have the right people in the right roles in order to achieve a successful exit – building the business ahead of exit, preparing for the transaction, managing the transaction itself, and then ready to add more value thereafter?
- Do you have the capacity and experience in-house to project manage your roadmap to exit?

ESG strategy and reporting

- Do you have an appropriate ESG strategy in place, with processes to enable accurate reporting?
- Have the social impacts of the exit been evaluated?
- Are you up to date with your ESG reporting – including sustainability, gender pay gap, payment practices and other similar requirements?
- Is your ESG story compelling, authentic, and demonstrable enough to be a driver of exit value?

Governance, controls, and reporting

- Is your control environment sufficient for the due diligence process and for life post-transaction?
- Will an exit require any regulatory approvals (NSSI, CMA etc) and are you prepared for these (ie, do you have the right documentation), and how will this impact on your timeline?
- Is the infrastructure for your governance suitable for your intended buyer?
- Are there any aspects of governance compliance which require remediation?

Tax management and optimisation

- Does your equity structure deliver value to shareholders and key management in a tax efficient way?
- Have you clearly defined the transaction perimeter, including which assets, entities, or activities should be retained or excluded, to ensure alignment with buyer expectations and maximise deal value?
- Do you have tax assets that could generate savings pre- or post-transaction, which could be leveraged to negotiate additional value?
- Are you prepared for buy-side tax due diligence? If this is a secondary buyout, have any previous diligence findings been addressed?

Technology and infrastructure

- How effectively will your cyber security environment and business continuity plans protect the business?
- What red flags would IT due diligence highlight?
- Do you have a clear systems development roadmap that extends out beyond your intended exit date?
- How future-fit is your technology landscape?
- Do you have sufficient documentation available to support due diligence into your teams?

Our approach to exit readiness

We provide the rounded view of readiness you need across these twelve aspects – leveraging our extensive exit experience, including dual and triple track processes. We'll deliver your exit-readiness assessment, identify and close remediating gaps, and project manage your transaction. We're your trusted partner throughout the process.

Contact Jamie Barklem, Corporate Finance Director, for further information or insight into our offering.



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