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# **Case study**

## **Management buyout**

A director with a controlling interest in a highly successful service industry company operating over 50 years was seeking to retire and negotiated a Management Buyout with 3 fellow directors.

Bank facilities to the business in excess of \$2.0 million secured by Registered 1<sup>st</sup> Mortgages over all directors' homes and a Debenture over the company assets.

Funding was required to payout the bank, address entitlements to the retiring director, additional working capital to fund expansion by the new generation management and purchase the retiring director's equity in the business.

The existing banker was reluctant to provide any additional funding to the business.

The business had a turnover in excess of \$40 million; solution was a debtor finance facility to convert 80% of its M\$3.5 million trade debtors into working capital which paid out the bank, funded entitlements to the retiring director and provided additional working capital.

The remaining director's homes when released from securing the bank facilities were refinanced to fund the buyout of the retiring director's equity in the business.

*\*Some details have been changed to protect privacy*

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