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# EXIT ROUTES EXPLAINED: Making the right decision for you and your business

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# FOREWORD

In today's climate of economic uncertainty and shifting tax rules, strategic exit planning has never been more critical. Yet too many business leaders fixate on one path without exploring the options available to them, missing out on potentially smarter, more profitable attractive routes.

Whether you're considering an Employee Ownership Trust (EOT), Family Succession, Management Buyout (MBO), Trade Sale, Private Equity or Members' Voluntary Liquidation (MVL), each path carries distinct financial, operational, and personal implications. Too often assumptions are made without a clear understanding of these factors.

At Menzies, we understand that the idea of an 'exit' can be both complex and emotionally challenging. That's why our team brings together deep industry transactional expertise with practical advice to help you fully evaluate your options. We work closely with you to identify the exit strategy that aligns with your goals, timeline, and vision for the future.

It's also important to note that exit planning doesn't always mean preparing to sell. When approached early and strategically, it can help reduce tax exposure, improve business performance, uncover hidden risks, and make your business more attractive to future investors or buyers. Whether your priority is financial security, legacy preservation, employee wellbeing, or timing the passing of shares to the next generation, thoughtful planning is key to a successful transition.

**In this report, we'll guide you through the most common exit strategies, help clarify your objectives, and equip you with the insight needed to move forward confidently toward the solution that's right for you.**

We hope you find these insights valuable, and we encourage you to engage with our team to discuss how we can support your business, wherever you are in your exit planning journey.



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# SECTION 1:

## EXITING ISN'T ALWAYS WHAT YOU THINK IT IS

For any business owner, contemplating an exit is rarely a straightforward decision, and it goes far beyond just a financial transaction. A business often represents years, sometimes decades, of personal sacrifice, deep relationships, identity and emotional investment. And, on a practical level, deciding to exit requires navigating complex legal, financial, tax and strategic considerations, often all at once, which can feel overwhelming without the right guidance and support.

Many business owners find themselves committed to a single exit path, such as passing the business to family members or retiring, before fully exploring alternative options. This is often driven by emotional ties, limited awareness of exit routes, or assumptions about what feels best. And in some cases, planning is delayed altogether due to time pressures or discomfort with the idea of stepping away from the business.

Decisions may also conflict with financial or structural business realities, and make succession a less tax-efficient or profitable route without sufficient guidance or advice.

### So, what are the options?

Different exit strategies suit different business models, ownership structures and timelines, so ensuring you have considered all exit options is critical.

- 1 Trade Sale**
- 2 Private Equity (PE)**
- 3 Management Buyout (MBO) - Vendor / Debt funded**
- 4 Management Buyout (MBO) - Private Equity (PE) backed**
- 5 Employee Ownership Trust (EOT)**
- 6 Family Succession**
- 7 Members' Voluntary Liquidation (MVL)**

It may seem simple, but while one exit route might appear attractive at first glance, it may not align with your priorities, and hinder business continuity, employee welfare, or the preservation of your legacy. Ultimately, the right strategy depends on your personal goals, the nature of your business, the strength of its leadership, and how quickly you need to transition.

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*We've had clients set on a trade sale, who then realise that the structure and flexibility of Private Equity (PE) can result in them achieving a better overall outcome having taken some cash out in an initial transaction and then working with PE to deliver a subsequent larger capital realisation.*

**Greg Cox**  
Partner, Deal Advisory

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## SECTION 2:

# WHY IT'S NEVER TOO EARLY TO START EXIT PLANNING

There's nothing worse than wanting to exit your business, only to realise you have to settle for a bad deal because the right preparation wasn't done ahead of time. Without effective planning, overall value can be reduced, buyers might walk away, and owner aspirations may not be realised.

Without proper preparation, issues including overreliance on founders, weak governance or financial reporting, inefficient tax structures, and the absence of incentive plans to retain key staff can raise concerns on business stability and performance, delay due diligence, extend the exit transition period, or even reduce its valuation. Getting your business 'exit ready' isn't something to leave to the last minute – it should be part of your business plan as early as possible, often starting three to five years before intended exit.

**Effective exit planning should therefore involve embedding strong systems, automation and best practice across the business well in advance of a sale. This helps maximise profitability, reduce risk, and increase value, while also reducing the extent of warranties and indemnities, expanding the pool of potential acquirers or funders, and minimising the impact of due diligence at exit.**

By putting the right structures, people, and processes in place well before any exit, you not only streamline the exit process but also build a stronger, more resilient business. This can help boost ultimate value, and gives you greater control and flexibility over the timing and structure of an exit, while helping to mitigate risks from external factors such as regulatory or tax changes.

And preparing in advance doesn't always signify a business exit. Exploring family trusts for instance can offer tax efficiencies, asset protection, and succession benefits. By transferring ownership either part or in full to a discretionary trust, shares can be held for beneficiaries, with specified trustees having discretion over any future distributions. This can be a useful tool to move value outside of your estate but offers protection and control over the assets and decisions.

**Having the option to retain the business helps drive competitive tension, which could result in better offers. You never want to be selling when you NEED to sell.**





## SALE READY INDICATORS

01

Is your business plan and narrative up to date?

02

Have you addressed known risks e.g. supplier and customer concentration?

03

Have you embedded automation or digital systems that demonstrate efficiency gains?

04

Is your reporting sufficiently detailed and comprehensive?

05

Are there any talent gaps to fill?

06

Have you looked at your competitors - does your proposition measure up?

07

Is your business structure and governance optimised for sale?

08

Have you assessed all available exit options?

To stay focused and ensure your business structure, governance, and tax affairs align with your exit goals, seek professional support. A strong advisory team will guide you through the entire process - managing risk, maximising value, and tailoring the deal to your needs. By understanding your pre-exit goals, advisors can help position the business for buyers, or support succession planning, when the time arises, while ensuring that your strategy and reporting stands up to due diligence and avoids unnecessary delays.

## SECTION 3:

# WHAT ARE YOUR REAL GOALS?

Choosing the right exit strategy, whether selling to another company, passing the business to family, or transitioning to employee ownership, requires a clear alignment of personal goals with the long-term needs of the business.

When a business owner's objectives don't match the expectations of successors or buyers, it can delay the transition, reduce the company's value, or even cause the exit to fall through. For example, an owner may want to retire quickly, but the business might not be ready financially or operationally for a smooth sale. Similarly, the owner's desired price, based on personal financial goals, may exceed what the market or potential buyers are willing to pay.

Buyers also assess operational resilience. Early investment in areas such as automation can improve efficiency, reduce reliance on key individuals, and make performance more predictable. However, it takes time to select, embed, and demonstrate the benefits of automation, so it should form part of early exit planning.

To reach the right decision you must be prepared from the outset to critically assess your business, identify potential risks and **ask yourself the hard questions.**

### Reflecting on exit outcomes is a crucial first step:

- What would a 'successful' exit look like to you?
- Do you want a clean break, or to stay involved in some capacity after exiting?
- Is your main goal to maximise financial value, or to prioritise legacy, employee welfare, or family succession?
- What's your proposed exit timeline? Six months, five years, or somewhere in between?
- How do you define a 'successful' exit financially, emotionally, or in other ways?

Successors like family members or key employees might prefer a gradual handover to ensure stability, while the owner may want an immediate exit. Emotional attachment to the business often complicates matters further, making it difficult for owners to accept necessary changes, such as restructuring or rebranding, that buyers may require to safeguard future growth.

Understanding and agreeing these differences early in the planning process is essential. Without this alignment, even the best-laid exit plans can become stalled and undermine the business's future.



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*Finding a neutral sounding board to evaluate your preferred outcomes, and whether they align with business priorities and timelines is essential to ensure a smooth transition. Seeking expert guidance provides unbiased perspective, grounded expectations and valuable experience that can be difficult to find elsewhere. Achieving clarity and balance at this stage of an exit journey is key to transforming a complex, high-stake process into a successful and strategically aligned outcome that suits you and your business.*

**Mark Perrin**  
Partner, Strategic Advisory

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*I've had the pleasure of working with Mark Perrin for the past 6 years. Initially, Mark helped me and the leadership team of the firm shape the next 5 years. Since then he has served as my conscience, holding me to account on the actions we both agree will move the firm forward quicker. His insight into the sector and best practice have been invaluable and have definitely played a part in our continued success.*

**Neil Lloyd, FBC Manby Bowdler LLP**

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## SECTION 4:

# WHICH EXIT ROUTE IS RIGHT FOR YOU?

While traditionally, Private Equity and trade sales have been the go-to options for business exits, there's growing awareness of alternative routes, including EOTs, MBOs and Family Successions, yet there is often a superficial understanding of what's involved.

Each option involves different financial, operational and emotional factors, and the timings can vary significantly too. Deferred consideration, when part of the sale price is paid later, can also create key risks for sellers. Warranties and indemnities will always be required, though the level may differ depending on the option.

Business owners should carefully consider which option best fits their goals and the individual business situation.

## CASE STUDY

Our client is an award-winning multidisciplinary practice offering architecture, engineering, visualisation and design of sports, leisure, driving and motorsport destinations.

We initially undertook a detailed business improvement review, where we took the business apart and put it back together, in order to present the management team with a comprehensive prioritised set of recommendations. The recommendations were ratified by the management team and we worked with the team to help implement the prioritised action plan.

### Impact:

- We provided a new level of insight to the management team on key areas which would drive performance and mitigate risk including improving systems on project tracking, resource allocation, ideal customer profile, sales pipeline development, and utilisation of management time. We helped embed new best practice in many areas including a bespoke integrated forecasting model to enable scenario planning.
- We engaged with many members of staff who found it motivational and engaging. A wide range of the client's staff were involved in implementing change within the business which they found extremely rewarding.
- We presented 18 months later to all staff, at the request of the management team, on the outcomes which had been achieved by the whole team and business. This included better utilisation of management and staff time, improved focus on sales pipeline, improved resource allocation and job tracking, improved business development activity, more proactive customer account management, and streamlined processes in many areas. The feedback was exceptionally positive.

**This helped position the business well when they were approached by a buyer.**

# SO, WHAT ARE THE OPTIONS?

## 01 TRADE SALE

### Overview:

Selling the business to another company, often a competitor or a larger firm in the same industry.

### Stages:



### PROS

- ✔ **Clean Exit:**  
Opportunity for business owners to exit in full, often with a lump-sum payment.
- ✔ **High Potential Valuation:**  
Can fetch a premium price, especially if a buyer sees strategic synergies (ie. cost savings, new customers, or market expansion opportunities).

### CONS

- ✔ **Loss of Legacy:**  
New ownership may lead to a change in culture, operations or employees.
- ✔ **Increasing Use of 'Earnout Agreements':**  
Part of payment may be conditional on the business hitting performance targets post-sale.



*Menzies initially undertook a Business Improvement Review of our business, reviewing everything from finances, operational procedures, systems, staff structures and recommended refinements that made a significant positive impact on our day to day business and long term success. They worked with us to implement changes and provided strategic advice, which enabled our business to be in a positive position at point of exit.*

**Ben Willshire, MD at Driven International Limited**



## 02 PRIVATE EQUITY (PE)

### Overview:

Full or majority sale to Private Equity that is not Management Buyout (MBO) led.

### Stages:



### PROS

- ✔ **Cash Post Completion:** Opportunity for full or majority cash-out, with potential for further upside on next exit – can enable staged succession and professionalisation of business.
- ✔ **Availability of Capital:** Additional capital and strategic input from PE partner more easily available. PE may support further merger and acquisitions or international growth.
- ✔ **External Expertise:** A sale to PE brings external expertise, governance and strategic input which may support more ambitious growth or buy-and-build strategies post deal.

### CONS

- ✔ **Extensive Due Diligence Process:** A sale to PE involves significant external scrutiny and negotiation. The deal structure and terms must be carefully negotiated to align interests.
- ✔ **Dilutes Control:** PE investors require strong governance, reporting upgrades and board input. There is a heavier focus on performance, cash flow and Key Performance Indicators.
- ✔ **Culture Shift:** New dynamics between management and investor, aggressive growth targets and return expectations may change business culture over time.

# 03 MANAGEMENT BUYOUT (MBO) - VENDOR / DEBT FUNDED

## Overview:

The existing management team buys the business from its owner.

## Stages:



## PROS

- ✔ **Business Continuity:** Management already understands the business, ensuring a smoother transition. The management team's ability at the point of sale is also crucial to securing funding and mitigating the risks of deferred consideration. Developing the emerging team in advance through mentoring, training and a clear development plan is often vital for owners considering this route.
- ✔ **Cultural Preservation:** Transition maintains company values, ethos and relationships.

## CONS

- ✔ **Financing Challenges:** Managers may require seller finance or third-party funding, which could cause delays or complications, with the level of due diligence hinging on the source of funding. In many MBOs, a significant portion of the price is paid through deferred consideration, creating risk for sellers if the business underperforms.
- ✔ **Lower Sale Price:** Sale may not achieve the same valuation as a trade sale, often heavily dependent on debt capacity of the business and dynamics of the lending market.

# 04 MANAGEMENT BUYOUT (MBO)- PRIVATE EQUITY (PE) BACKED

## Overview:

The existing management team buys the business from its owner, supported by funding from PE.

## Stages:



## PROS

- ✔ **Business Continuity:** Management already understands the business, ensuring a smoother transition.
- ✔ **Cash Post Completion:** Opportunity for full or partial cash-out, with potential for further upside on next exit – a staged succession is possible.
- ✔ **Availability of Capital:** Additional capital and strategic input from PE partner more easily available.
- ✔ **External Expertise:** PE involvement brings external expertise, governance and strategic input which may support more ambitious growth or buy-and-build strategies post deal.

## CONS

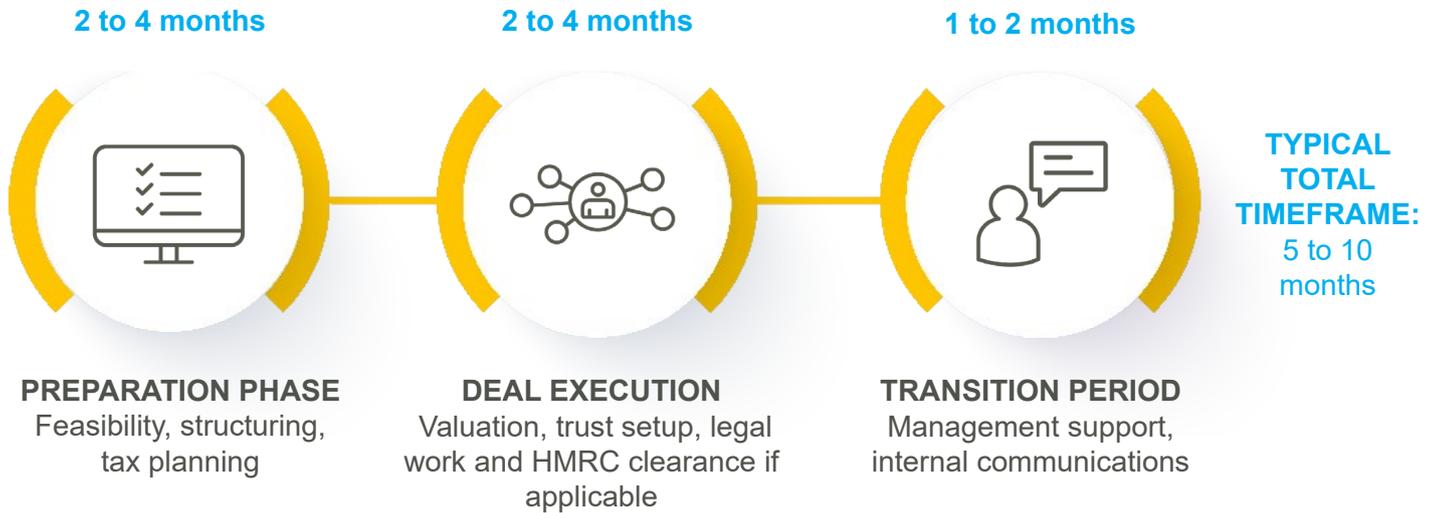
- ✔ **Extensive Due Diligence Process:** A sale to PE involves significant external scrutiny and negotiation. The deal structure and terms must be carefully negotiated to align interests.
- ✔ **Dilutes Control:** PE investors require strong governance, reporting upgrades and board input. Key Performance Indicators are critical.
- ✔ **Financial Considerations:** Capacity to pay high price is impacted by access to debt finances. A higher leverage can burden cash flow.
- ✔ **Culture Shift:** New dynamics between management and investor, aggressive growth targets and return expectations may change business culture over time.

# 05 EMPLOYEE OWNERSHIP TRUST (EOT)

## Overview:

Business ownership is transferred to a trust on behalf of employees.

## Stages:



## PROS

## CONS

### ✔ Tax Efficiencies:

Can offer significant tax relief for sellers and employees subject to certain conditions being met, albeit the tax benefits have been restricted (and an effective rate of tax of 12% will apply) for disposals on or after 26 November 2025. Note that reliefs can be withdrawn if circumstances change over time.

### ✔ Long-term Benefit:

Ensures continuation of legacy, core values and culture, and can increase productivity and retention as employees become beneficial business owners.

### ✔ Governance, Funding & Structural Challenges:

The business needs robust operating, management and governance processes to ensure that it can operate post-exit. Legal and financial structuring can also prove complex and costly. In addition, securing external funding can also be more difficult, as there are no individual shareholders to take on entrepreneurial risk. If trading performance falls short, future financing may be hard to obtain.

### ✔ Deferred Consideration and Delayed Receipts:

The owner will likely be paid out in instalments, often limited to cash available in the business or future profits over time. This can create risk for sellers, with receipts dependent on continued business performance and cash generation, further exacerbated by the imposition of tax charges for disposals on or after 26 November 2025.

# 06 FAMILY SUCCESSION

## Overview:

Passing ownership and leadership to younger generations of the family.

## Stages:



### PREPARATION PHASE

Successor identification, training, planning

### DEAL EXECUTION

Legal restructuring, share transfer, tax planning

### TRANSITION PERIOD

Gradual handover of control and responsibilities

## TYPICAL TOTAL TIMEFRAME:

Hard to quantify as this depends on unpredictable factors such as: owner priorities, market conditions, family dynamics and the readiness of the next generation of ownership.



## PROS

## CONS

### Continued Legacy:

Keeps the business within the family and has strong emotional appeal. Ensuring income for later generations.

### Long-Term Vision:

Family successors are more likely to focus on long-term business health and legacy over short-term profit.

### Potential Conflict and Protection Risks:

Succession can create disputes if expectations or roles aren't clear if shares pass through divorce, or if wider family members feel parity hasn't been considered. Planning via trusts and updated wills may be needed.

### High Risk:

The next generation may not have the skills or interest to run the business effectively, which may impact value if successors are not well prepared.

### Financial Considerations:

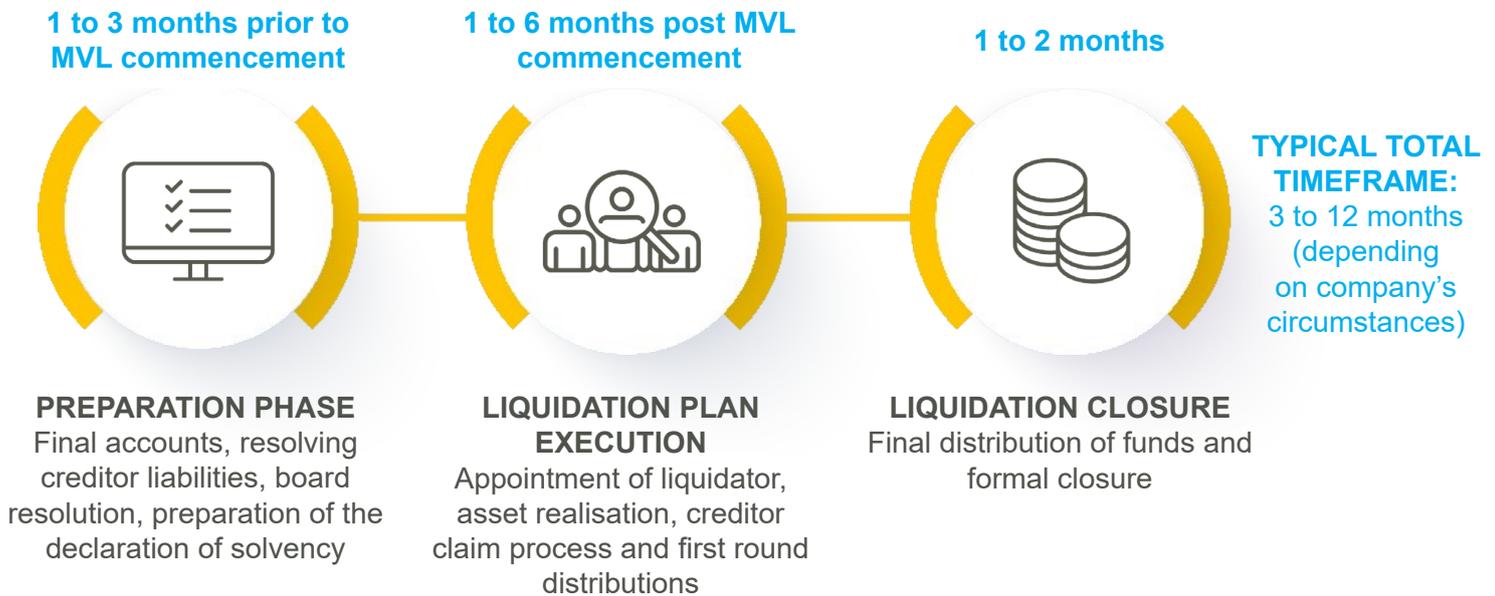
If the parents wish to receive payment for the shares, the children will need funds to facilitate the purchase. This can be disadvantageous if the funding is not easily accessible.

# 07 MEMBERS' VOLUNTARY LIQUIDATION (MVL)

## Overview:

A solvent company is wound down, and assets are distributed to shareholders after the settlement of the company's creditors in full.

## Stages:



## PROS

## CONS

### ✔ Tax Efficiency:

Often provides favourable tax treatment on distributions.

### ✔ Clean Break:

No need to find a buyer or successor if there is no future for the business.

### ✔ An Experienced Professional to Guide you Through the Process:

Only a licensed insolvency practitioner is able to act as a liquidator and, whilst there are cost implications, they will be able to advise on the suitability of an MVL for winding up the business and act as liquidator for the company.

### ✔ Asset-only Value:

This may be more suitable for cash-rich or asset-based businesses. Intangible assets like client or supplier contracts, future earning potential and reputation bear no or limited financial value.

### ✔ Legal and Administrative Complexities:

Requires a licensed insolvency practitioner to act as liquidator and involves legal declarations by directors that the company is solvent. Could become a high cost option if company structures are complex.

### ✔ Strict 12 month Deadline:

The directors must swear a Declaration of Solvency before a solicitor, confirming that, after full inquiry, the company can pay all debts, statutory interest, and MVL costs within 12 months. This deadline is strict: failure to do so will require the liquidator to convert the MVL to an insolvent liquidation. Directors who make a false declaration may face serious legal consequences.



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*Alternatively, a hybrid or phased approach can combine multiple exit strategies. Some businesses pursue partial sales before a final exit or stagger an exit over time. Here, ownership can be gradually handed over to family or employees while staying involved. Partial trade sales or MBOs can mean that part of the business is sold now, and the rest later, depending on timelines and business priorities.*

*While this can be complex to manage, and a slower process, a blended approach reduces significant risk, enables a smoother transition, and may increase value over time when done correctly. Working with an expert can help put together the right package that works best for you and your business.*

**Ross Wiggins**  
Partner, Deal Advisory

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## SECTION 5:

# HOW DO YOU PREPARE FOR LIFE AFTER EXITING?

Once you've navigated through the exit process, the focus shifts onto preparing for what comes next. Now your business has transitioned through its exit strategy, it's important to ensure that your business is sold or transferred at the best time, and on the best terms that align with your personal and financial goals for the future.

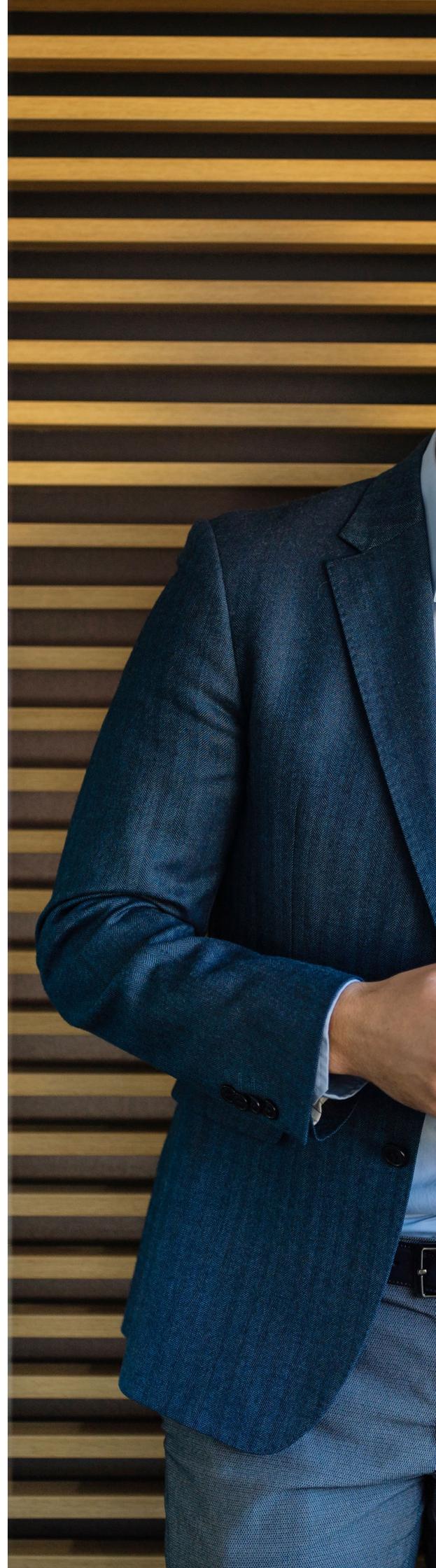
Ongoing support with tax advice, financial planning, and wealth management helps ensure your affairs are structured in a way that meets your longer-term needs, while managing any future tax exposure for you and your family.

### **Making the Right Decision Count:**

Whatever your reason for pursuing a sale, it's important to think with both your head and your heart, and to explore all available options to ensure the outcome best aligns with your goals, timelines and legacy ambitions. Exit planning isn't a one-size-fits-all strategy, and success requires a clear alignment of your personal priorities with the long-term needs of the business.

By working closely with you, our team of expert advisors can help clarify your objectives, and equip you with the insight needed to move forward confidently toward the solution that's right for you, regardless of where you are in your exit journey.

**When approached early and strategically, exit planning can help minimise tax exposure, mitigate risk, avoid potential delays and maximise returns that truly reflect your aspirations.**





## CASE STUDY

Our client provides a comprehensive range of legal services to companies and individuals.

We provided proactive advice on business improvement, financial performance, cash flow, working capital management, people performance and ongoing strategic matters as the business grew. As a result of our contributions, the profitability of the business improved significantly.

### **Impact:**

- Upon exit, the business had a much higher level of profitability, and lower risk, which resulted in a higher exit value.

**We advised the client on exit, and disposal, including complex tax planning and structuring.**



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*Menzies were essential in helping us identify the right investors to support the continued growth of the business through ongoing innovation and expanding the global footprint. The deal involved many complexities, but Menzies' partner-led approach and their tenacity throughout the process was instrumental to successfully bringing the deal to completion. Working with Menzies enabled us to access the right expertise dedicated to ensuring the right deal that worked for us, this will help deliver the next chapter in our company's journey.*

**Daniel Gill and Rebecca Park, Rapidrop Global Limited**

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# LET'S TALK ABOUT YOUR NEXT CHAPTER

Preparing for a business transition is a defining moment. Whether you're planning early or facing immediate decisions, our team delivers the insight and strategy needed for a smooth and successful exit.

Reach out today to understand your options, assess your readiness, and take the next step with confidence.



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# MENZIES

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