



OWNERSHIP INFORMATION SHEET

Typical Buyout Solutions

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A community or employee buyout can be an effective way to save a vital business in regional Australia.

Many regional businesses do not provide sufficient return to attract outside investors but can still trade profitably to provide vital services to the local community. Investors do not always see the same outcomes as the local people. A business owned by investors from outside the community may be closed or relocated as part of broader plans in spite of the local needs. They may feel that the assets could generate more income through a different use, such as converting a caravan park to housing development.

In many cases, regional communities have come together as a co-operative to buyout these businesses from a retiring owner, either as current employees, the community or both. This enables the business to continue in the local area, often with an improvement in the service provided.

The evidence suggests that businesses that are owned by their communities or their employees are more dynamic and respond to customer needs better. The new ownership arrangements can also be more commercially successful than the businesses which they buyout. A successful buyout is not necessarily a rescue but it might be the start of a new period of growth for the business.

In assessing community or employee buyout options, it is essential to remember that each will be unique - there is no ready made solution to suit all circumstances. Sometimes, it just won't be possible to save the business. However in most cases it is worth attempting to do so. In such cases, it is also worth working with professional advisers who have worked with similar buyouts in the past.

Steps needed in all cases are:

- Establishing the buyout group and defining its aims and objectives;
- Assessing commitment to the buyout;
- Assessing whether the business will be commercially viable;
- Assessing what the buyout process will cost and conducting due diligence;
- Deciding whether to proceed;
- Agreeing buyout terms with current owners;
- Arranging the transaction finance;
- Establishing the buyout legal structure and appointing management; and
- Providing post transaction governance support, training and advice.

Such buyouts can be made through a trade sale of the business as an asset or through buying the shares of the business over time. Two methods to be considered for the second option are (a) using the co-operative legal form - it possible to convert a company to a co-operative and (b) an Employee Share Ownership Plan (also known as an ESOP) where there can be tax advantages.