PRACTICAL **GUIDE**

BUSINESS TRANSFER

Think through and prepare it

CHAMBER OF COMMERCE LUXEMBOURG

POWERING BUSINESS

ENGLISH


Working to grow your business and private assets together.
BIL Business Owner
Supporting you from foundation to transfer of your company.
www.bil.com/businessowner
BIL
1856
Banque Internationale à Luxembourg SA, 69 route d'Esch, L-2953 Luxembourg, RCS Luxembourg B-6307
(+352) 4590-5000 www.bil.com

Introduction

Contents

A **Chamber of Commerce** publication
produced in partnership with **MindForest**
November 2022

Passing on a business that has been set up and developed over years or even generations is a critical moment for the business and its seller. It is essential to prepare and ask the right questions. Surrounding yourself with those who can help to complete the transaction and ensure the continuity is key.

Taking over a business, even if it means taking advantage of a reputation, a clientele, a production apparatus and a good staff, is as much a risk as creating a new business and making choices.

Whether you are selling or buying a business, this guide will help you understand the steps to follow, the laws to respect, the pitfalls to avoid, the documents to produce and the questions to ask so that you can successfully complete your transfer or acquisition project and prepare yourself for the new life ahead.

HOW TO USE THE GUIDE

The seller and the buyer can be identified by their respective colour codes.

The buyer

The seller

Seller & buyer

The terms defined in the glossary are underlined in the guide.

The game board (*see p. 6-7/The steps*) describes the path to follow for both the seller and buyer.

1.1 Cross-references to other pages in the guide greater detail on the actions to take.

This summary guide is provided to sellers and buyers for information purposes. The lists included in this publication are non-exhaustive and the cases described are general in nature. Each transfer is unique and therefore this guide is not a replacement for expert advice on the subject of business transfers *(see p. 20-21/The players)* **and the legal provisions in this area, which is strongly recommended.**

Facts and Figures

THE RIGHT AGE TO PREPARE FOR A TRANSFER

Buyer
45 years old

Seller
50 to 59 years old

Transfer time: 3 to 5 years

WHO ARE THE BUYERS?

Only 30% of family businesses are passed on from the founder to the second generation and less than 15% to the third generation.

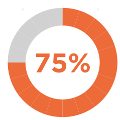
Other potential buyers:

- other family members,
- shareholders,
- employees,
- clients,
- competitors,
- suppliers.

Matching sellers and buyers
Businesstransfer.lu combines together transfer and takeover offers for all companies based in Luxembourg. The platform has registered a very strong growth rate, recording **542** contacts in 2021 and generating **159** matches.

REASONS FOR THE TRANSFER

- Retirement
- Wish to achieve a capital gain
- Desire to start a new business
- Health issues



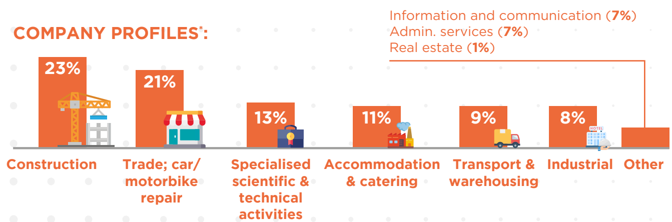
OF COMPANIES TAKEN OVER STILL EXIST AFTER 5 YEARS

COMPARED WITH **55%** OF COMPANIES CREATED

90%
OF COMPANIES
FOR SALE IN LUXEMBOURG
HAVE LESS THAN 50 EMPLOYEES

BETWEEN 2025 AND 2035, AROUND 250 COMPANIES WILL BECOME AVAILABLE FOR TAKE OVER EACH YEAR IN LUXEMBOURG*
THIS REPRESENTS BETWEEN 8,000 AND 10,000 JOBS.

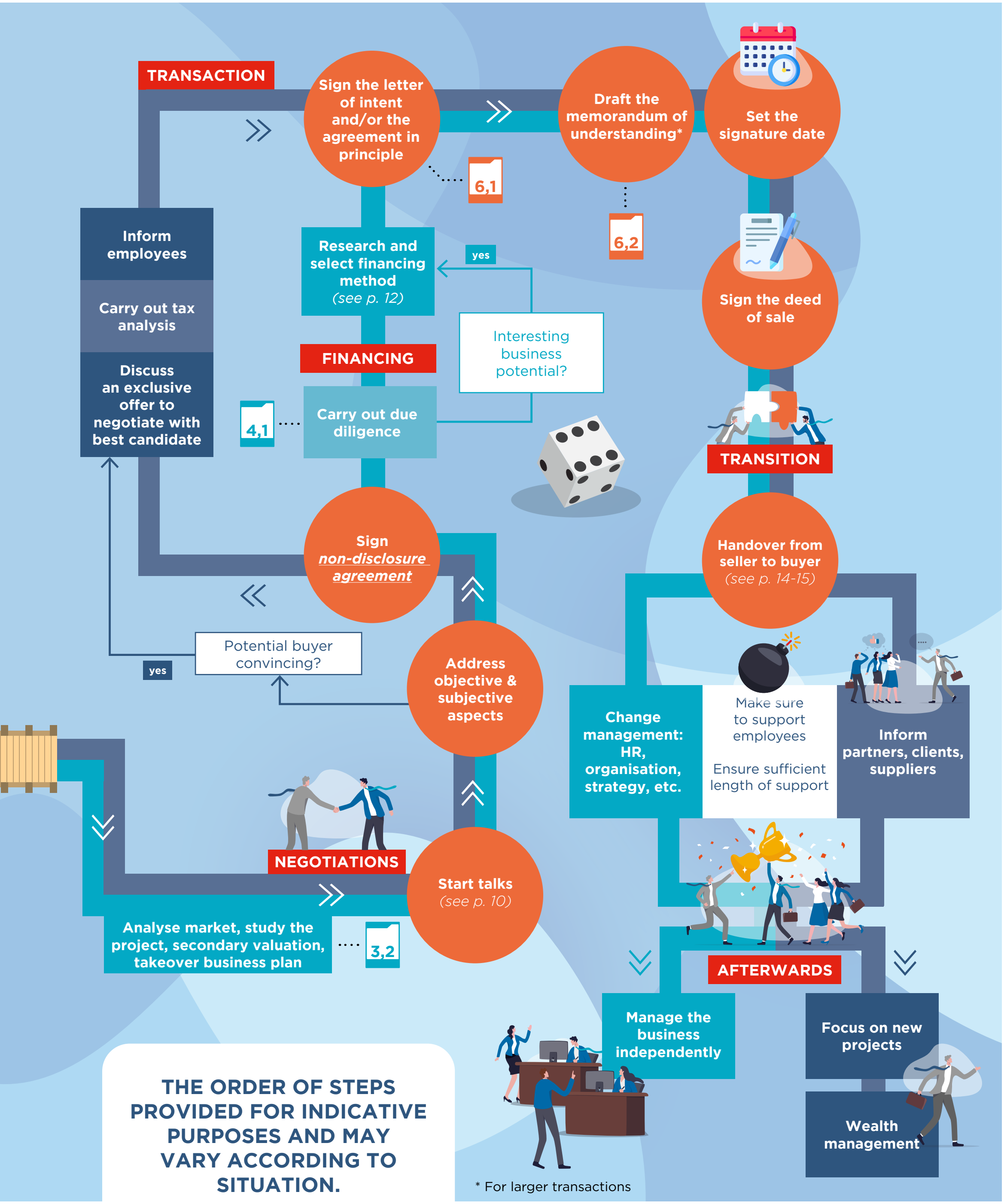
COMPANY PROFILES*:



* Source: Statec, calculations Idea, 2016 study based on projection for the period 2025-2035

The steps

START SELLER
1,1
DECISION-MAKING & PREPARATION
Consider possibility of selling your business
Do your personal review. Motivation? Objectives? Constraints?
Get info/Get support
Decide what to sell (shares, business assets, property)
Set a timetable
Beware of pitfalls
(see p. 22)
Seller
Buyer
Sellers/Buyers
Pitfalls (at each stage of process)
See card referenced in brochure
Do you really want to sell your business?
yes
2,1
1,2
yes
Is the business ready to be sold?
No
Perform in-depth analysis of the business
VALUATION
Value the business
Don't confuse value with sale price
Take corrective actions
3,2
Prepare business presentation document
3,1
SEARCH FOR AND SELECT BUYER
Identify potential buyers
Actually, it is possible to hold talks with several buyers
Ensure confidentiality
First meeting
START BUYER
DECISION-MAKING & PREPARATION
1,3
Reflect on your project: Takeover or start-up? Business sector? Target business?
Visit businesstransfer.lu
Identify and select businesses
Do personal review. Motivation? Objectives? Budget? Target geographic area
Talk to those around you (support), test your idea and pitch
Prepare a project roadmap
Get training or seek advice
Start searching for businesses to take over
3,1
SEARCH FOR AND SELECT BUSINESS TO TAKE OVER



TRANSACTION
Sign the letter of intent and/or the agreement in principle
6,1
Draft the memorandum of understanding*
6,2
Set the signature date
Sign the deed of sale
Inform employees
Carry out tax analysis
Discuss an exclusive offer to negotiate with best candidate
Research and select financing method (see p. 12)
yes
Interesting business potential?
FINANCING
Carry out due diligence
4,1
TRANSITION
Sign non-disclosure agreement
Handover from seller to buyer (see p. 14-15)
Potential buyer convincing?
yes
Address objective & subjective aspects
Change management: HR, organisation, strategy, etc.
Make sure to support employees
Ensure sufficient length of support
Inform partners, clients, suppliers
NEGOTIATIONS
Start talks (see p. 10)
Analyse market, study the project, secondary valuation, takeover business plan
3,2
AFTERWARDS
Manage the business independently
Focus on new projects
Wealth management
THE ORDER OF STEPS PROVIDED FOR INDICATIVE PURPOSES AND MAY VARY ACCORDING TO SITUATION.
* For larger transactions

Preparing for the transfer

The transfer and takeover of a business are strategic transactions that both the seller and the buyer should plan in advance. The preparations involve various aspects: (financial, legal, psychological, etc.) and typically take three to five years.

TOOL CARD

SELLER

1,1

DECISION-MAKING & PREPARATION

What are my reasons for wanting to sell?

- Retirement?
- New life project/professional project?
- Health problems?
- Fatigue?
- Opportunity to sell?
- Influence of my family?

When do I want to sell?

- Short term/medium term/long term

Am I really ready to transfer my business?

- Ready to change professional activity?
- To stop working?
- To see someone else run my business?
- Have I discussed it with my family? Do I have their support?

What will I do after I sell?

- Will I remain active in the business?
- Will I start a new personal or professional project?
- Will I devote my time to my hobbies/family?

What are my goals?

- Making my business sustainable?
- Realising a capital gain?
- Passing on an inheritance to my family?
- Keeping my commitments to staff?

What are my constraints?

- Keeping my spouse in the business?
- Is my business headquartered in my private home?
- Is the business in difficulty?

What will I sell?

- Shares or business assets?
- All or only part of the shares?
- Is there a building involved?

Point of attention:

- Key man risk: *are any of my staff essential to the functioning of the business, so much so that if they leave the business would be at risk?*
- Do I have contacts who I can go to for help/advice? *See stakeholders page 21*

Output:

- My transfer project
- My transfer schedule

TOOL CARD

BUYER

1,3

DECISION-MAKING & PREPARATION

What are my reasons for buying?

- Am I ready to take over and develop an existing business?
- Do I have the skills and profile to take over a business?
- What risks am I prepared to take?

When do I want to buy?

- Short term/medium term/long term

What kind of company do I want to acquire?

- Business sector
- Size
- Geographical location
- Budget
- Further investment required/not required

What are my goals?

- Do I have a vision of what I want to do with the business?
- Do I want to stay in the same business sector or expand/take the business in a new direction?

Have I discussed it with my family?

- Have I pitched my idea to them?
- Do I have their support?

Point of attention:

- Do I have contacts who I can go to for help/advice? *See stakeholders page 21*

Output:

- A persuasive project proposal that makes the seller want to arrange a meeting
- My pitch

TOOL CARD

SELLER

1,2

ANALYSIS

Is my business ready to be transferred?

- Carry out an in-depth analysis to identify strengths, weaknesses, opportunities and threats.
  Various aspects should be analysed:
  - Organisation: (HR, sales, relations with clients and suppliers, etc.)
  - Legal (current contracts, any disputes, etc.)
  - Financial and tax (liquidity, investments, profitability, etc.)
  - Sectoral: sector outlook, competition
- Prepare a sustainability plan
  - List actions required to make the company attractive
  - Highlight items that will impact the sale price
  - Give a clear picture of how the business operates (clarify the organisation, formalise processes, etc.)
- Define the tasks and roles of the seller and key staff within the business

Output: SWOT/sustainability plan

TOOL CARD

SELLER

2,1

VALUATION

Valuing a business:
Valuing a business consists in calculating its financial value based on past accounting data and development potential. There are three main approaches:

- **Restrictive asset-based approach:**assesses the market value of the company's assets
- **Actuarial/income approach:**evaluates the business' current and future ability to generate profits
- **Market approach:**compares the business with others that closely resemble it for which a transaction price is known

Point of attention:

- The "real value" of a business is the price the buyer will agree to pay for it (accepted by the seller)
- Emotions can lead sellers to overvalue their business, often leading to disappointment.
- The buyer will carry out a secondary valuation
- The asset-based valuation approach will be conducted differently when passing the business on to one's children than when selling to an external party, mainly in terms of the search for/consideration of discount elements.

Output: value proposal

TOOL CARD

SELLER

2,2

BUSINESS PRESENTATION DOCUMENT

Document intended to catch the buyer's attention. The document should include the following information:

Our background

- History, longevity and resilience

Who we are

- Shareholding structure

What we do

- Business activities, know-how

Where we stand

- Competitive environment. Differentiation
- Clients and their contribution to revenue
- General market conditions. Outlook
- Reputation

What we possess

- Technical strengths, patents, compliance with standards
- Property assets, location

Who we work with

- Human resources: staff composition, and seniority turnover rate, proportion of managers, presence of key persons in important functions
- Management style (direct or delegative, autocratic or participatory)

What we're worth

- Business valuation, strengths and weaknesses

Point of attention:

- Present yourself without giving everything away
- Have potential buyers sign a non-disclosure agreement

TOOL CARD

SELLER / BUYER

3,1

SEARCH FOR AND SELECTION OF BUYER/BUSINESS TO BE TAKEN OVER

Identify potential buyers

- Family members/employees/third parties
- Must be motivated, competent and experienced, and have the financial means

Identify businesses to be taken over

- Identify and select businesses corresponding to the profile defined (see card 1,3)

Point of attention:

- It's a good idea to hold discussions with several buyers at the same time, but remember that this can be time-consuming.
- Make sure the buyer respects confidentiality (see Non Disclosure Agreement. The seller should choose the right moment to announce the transfer to family/employees, clients and suppliers.
- No buyer or target identified? Businesstransfer.lu provides a matching service that puts buyers and sellers in contact.[1]

Output:

- Non-disclosure agreement (NDA):
  - Drafted by a specialist lawyer, if possible
  - Ensures that potential buyers will not disclose confidential information about the business to third parties

[1] https://businesstransfer.houseofentrepreneurship.lu/fr

Negotiations

The negotiations enable the parties to agree on the terms and conditions of the transfer. They are free, do not have to be exclusive and are non-binding on the parties until something has been signed. Good faith, mutual respect and transparency are the basis of negotiations.

SELLER

- Is the buyer solvent?
- What will happen to the employees?
- Will business continuity be ensured?
- What will my support involve (duration, role in the business, etc.)?

BUYER

- Why is the business being sold?
- Is the business financially healthy and what are the expected returns?
- Do I have the financial means to take over the business?

What is included in the sale:

- the whole business or part of its business activities?
- shares or business assets?*

Business presentation document
(see card 2,2)

Takeover business plan
(see card 3,2)

Price range
If the gap is too big the seller can retain part of the capital or transfer the business in stages *(see card 2,1)*.

Avoid upsetting the seller by pointing out the business' weak points or being too straight forward about reorganising

DUE DILIGENCE

The seller should ensure the buyer's solvency and the soundness of the project for the business.

The buyer should carry out a series of checks to assess the risks associated with the takeover. This is known as due diligence *(see card 4,1)*.

(*) Consequences of buying shares or business assets only:

Purchase of shares	Purchase of business assets
• Both assets and liabilities (debt) acquired	• Only certain assets acquired: tangible (tools, merchandise, equipment) and intangible (clients, leasehold rights, brand)
• Business owner subject to tax on capital gains	• Company subject to tax on capital gains (since it disposes of asset)

The first stages of a business transfer are more challenging for the seller, who must provide evidence to justify the health of the business.

SUBSEQUENT STAGES REQUIRE THE BUYER TO PRESENT THEIR PROJECT AND CARRY OUT THEIR OWN DUE DILIGENCE TO ASSESS THE RISKS INVOLVED IN TAKING OVER THE BUSINESS.

TOOL CARD

BUYER

3,2

TAKEOVER BUSINESS PLAN

Presents the seller and financial partners with a vision for the project and gives them confidence in it. Clarifies the strategy and demonstrates its technical and financial feasibility.

Summary presentation of the project
- Economic potential
- Human and material resources

The project
- The business to be taken over (based on the business presentation document)

Management and development strategies
- Development plan
- Market size and trends

Marketing plan

Operating plan
- Implementing the takeover

Team management
- Human resources
- Adaptation and training
- Supervision

Financial projections
- Three-year profit and loss account
- Projected cash flow statement

Financing plan
- Legal and financial structure
- Sale price
- Own funds and external funding

TOOL CARD

BUYER

4,1

AUDIT

DUE DILIGENCE

Identify the risks associated with the takeover. This must be carried out by the buyer with the seller's consent. Need for expert support: accountants, lawyers and other specialists.

- **Financial audit** (to confirm valuation and business model)
- **HR audit** (ensures key staff are retained. See also Transition page)
- **Legal audit:** analysis of all contracts, permits, board minutes, exclusivity clauses or clauses setting out supply with targets
- **Social audit:**review of employment contracts and remuneration
- **Tax audit**
- **Environmental audit:** operating permits ('commodo/incommodo')
- **Technology and IT audit**

Note: for the purchase of business assets, the due diligence may be simplified or waived altogether, depending on each case

TOOL CARD

SELLER / BUYER

6,1

LETTER OF INTENT

Indicates willingness to formally take part in negotiations.

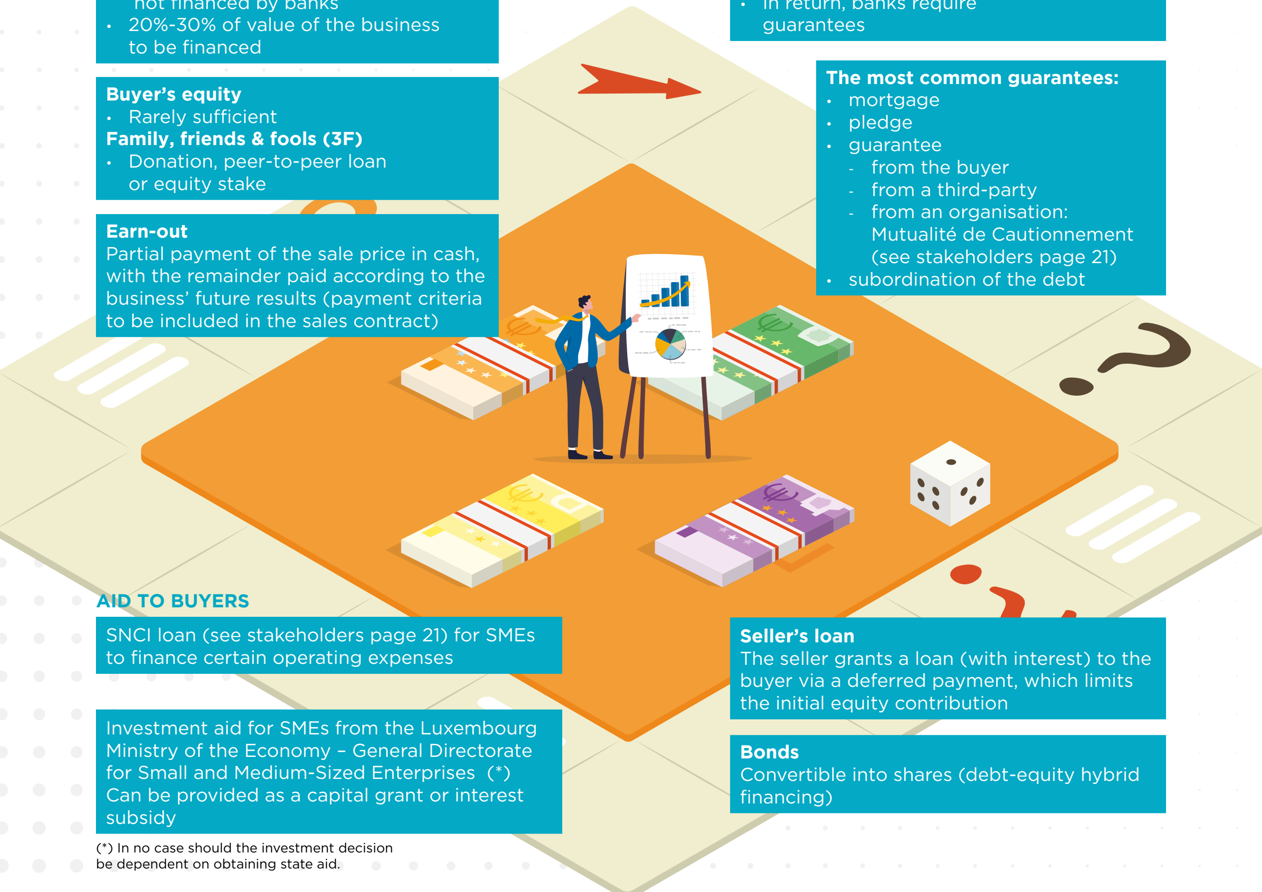
- Overview of the transfer arrangements
- What is to be included in the sale?
- Points pending clarification or validation
- Suspensive conditions
- Timeline of transfer
- Post-transfer period (support)
- Purchase offer (non-binding)

Financing

The price is only right if the buyer can finance it. Buyers should bear in mind the future financial effort implied by the sale price and choose the type of financing best suited to their circumstances.

Don't forget to count in :

- Costs of support services from various experts for the takeover project
- Working capital requirements, which are difficult for the buyer to quantify since they fluctuate and depend on client payment terms



EQUITY

Own funds

- To inspire confidence
- To self-finance certain needs not financed by banks
- 20%-30% of value of the business to be financed

Buyer's equity

- Rarely sufficient

Family, friends & fools (3F)

- Donation, peer-to-peer loan or equity stake

Earn-out

Partial payment of the sale price in cash, with the remainder paid according to the business' future results (payment criteria to be included in the sales contract)

LOANS

Bank loans

- Subject to level of own funds, area of takeover and buyer's experience
- In return, banks require guarantees

The most common guarantees:

- mortgage
- pledge
- guarantee
  - from the buyer
  - from a third-party
  - from an organisation: Mutualité de Cautionnement (see stakeholders page 21)
- subordination of the debt

Seller's loan

The seller grants a loan (with interest) to the buyer via a deferred payment, which limits the initial equity contribution

Bonds

Convertible into shares (debt-equity hybrid financing)

AID TO BUYERS

SNCI loan (see stakeholders page 21) for SMEs to finance certain operating expenses

Investment aid for SMEs from the Luxembourg Ministry of the Economy – General Directorate for Small and Medium-Sized Enterprises (*)
Can be provided as a capital grant or interest subsidy

(*) In no case should the investment decision be dependent on obtaining state aid.

The transaction

The transaction seals the agreement between the buyer and seller. This phase requires the drafting and signing of numerous contractual documents, justifying the use of relevant experts (lawyers, notaries and other experts).

TOOL CARD

SELLER / BUYER

6,2

MEMORANDUM OF UNDERSTANDING

This document which formalises progress in the negotiations between the buyer and the seller should include the following elements:

- **Price and financing method**
- **Asset and liability guarantees:**
  - Guarantee by the seller of the amounts in the balance sheet (for any retrospective adjustment of the sale price)
  - Activity-related guarantees
  - Procedures for enforcing guarantees
  - Time limit for informing the issuer of the guarantees
  - Means of paying guarantees
- **Suspensive clauses**
  - Protect the buyer or seller if a condition in the memorandum of understanding remains unfulfilled (obtaining financing, approval to carry out activity, etc.)
  - They may provide for penalties in the event of non-compliance with undertakings
- **Time of seller's departure**
- **Remuneration of seller during the transition phase**
- **Clause covering early departure of the seller in case of disagreement**
- **Treatment of results for the period between the date of the financial accounts used for the valuation and the takeover date**

The transition

The human factor, key to the transfer

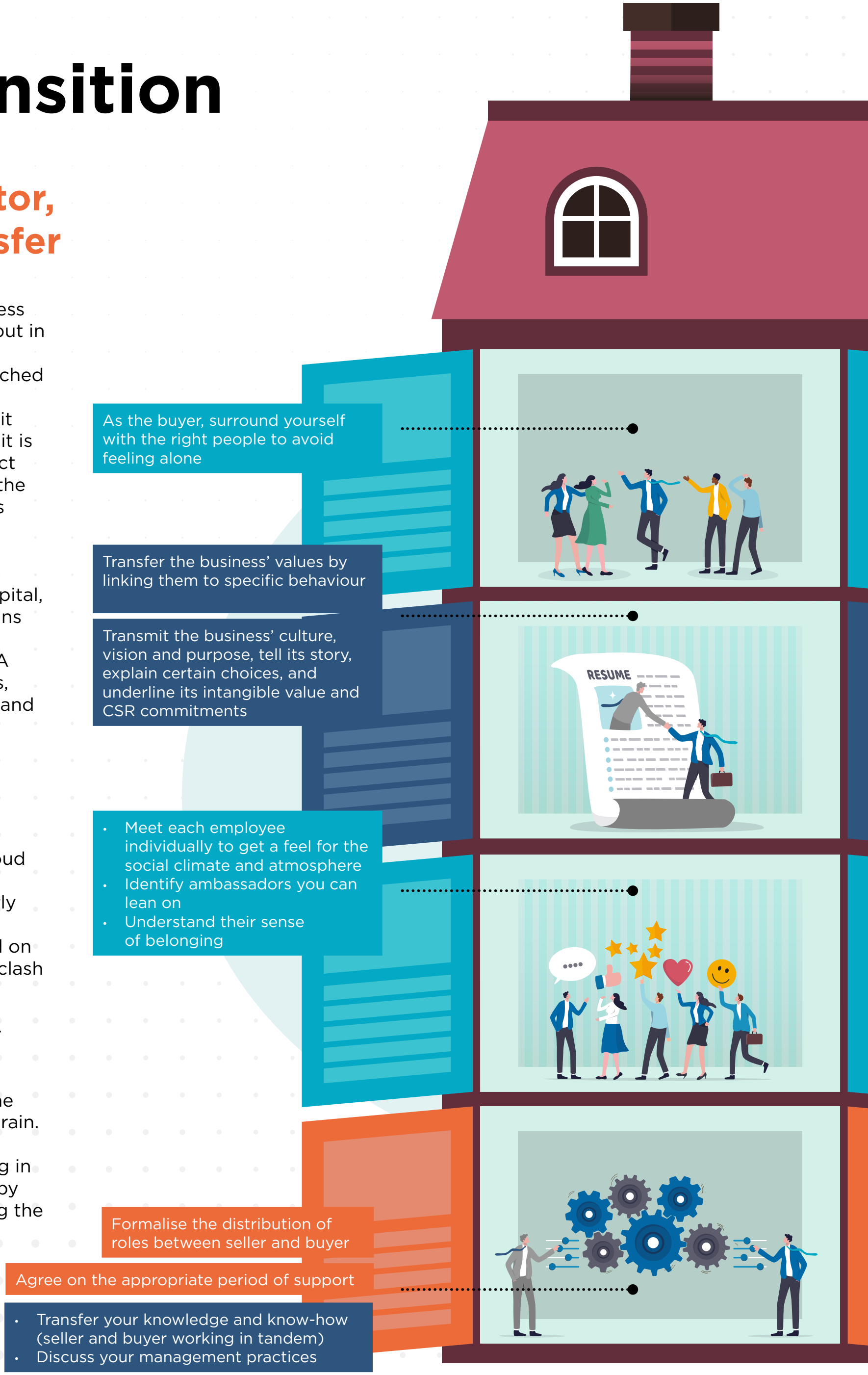
At this stage the transfer process may appear to be at the end, but in reality it is only just beginning. Often great importance is attached to the financial and tax audit, while the financial and tax audit are the center, the cultural audit is often neglected despite the fact that cultural issues are one of the reasons why business transfers sometimes fail.

Taking over a business means more than just acquiring its capital, property or clients. It also means taking over its human capital and corporate culture, the DNA that differentiates the business, especially in the case of SMEs and family businesses.

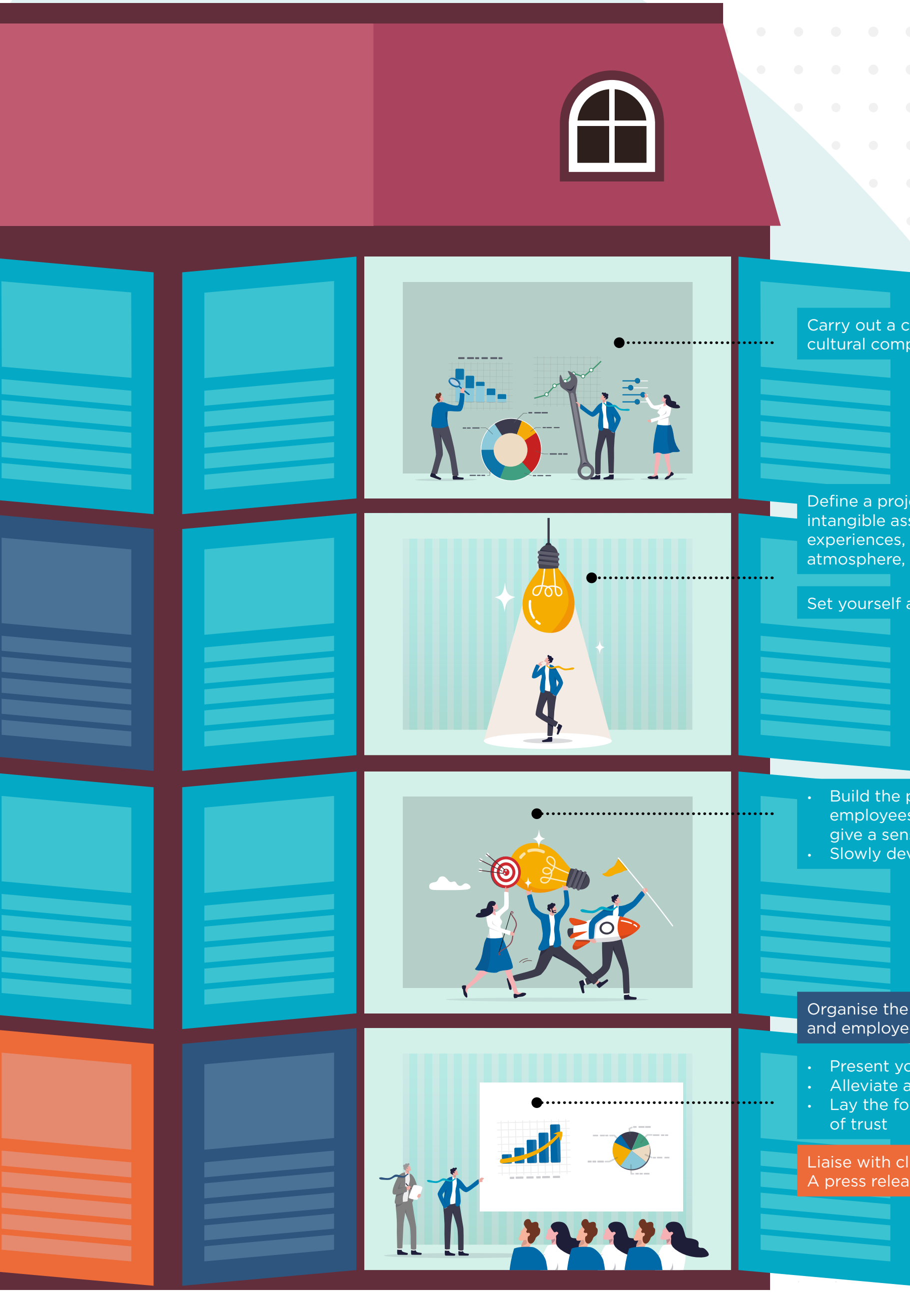
For the buyer, the challenge is building a new business project that balances change and continuity, while keeping employees committed and proud to belong to the business and avoiding disruptions particularly of key staff. All of this means developing the business based on its core values and avoiding a clash of cultures.

Thus, if a profit-oriented buyer acquires a company that puts client satisfaction above else, this might be detrimental to the business and lead to a talent drain.

Here again, experts specialising in the transition phase can help, by guiding the buyer and ensuring the commitment of the teams.



Seller
Buyer
Sellers/Buyers



Carry out a cultural audit, to measure cultural compatibility and shared values

Define a project based on the business' intangible assets: identity, culture, values, experiences, know-how, practices, atmosphere, etc.

Set yourself apart from the seller

- Build the project together with employees, getting them on board, to give a sense of meaning
- Slowly develop the organisation

Organise the meeting between the buyer and employees

- Present your project
- Alleviate any fears
- Lay the foundations for a relationship of trust

Liaise with clients, suppliers and partners
A press release isn't enough!

Testimonials

GEORGES ZAHLEN,

CO-FOUNDER OF AXIOMATIC (WWW.AXIOMATIC.LU)

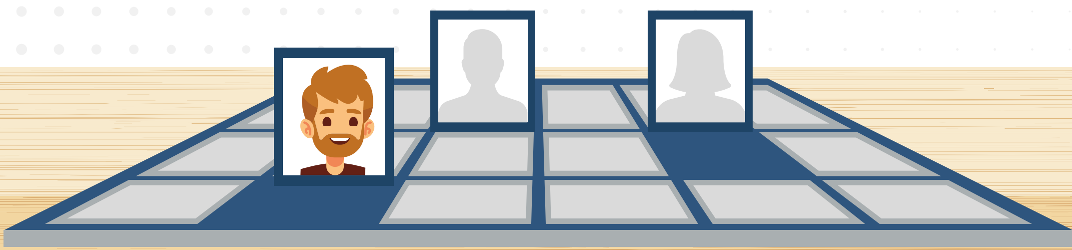
What does Axiomatic do?
Since 2015, Axiomatic has specialised in the takeover of businesses (often family-owned) faced with a succession problem: the business is healthy, has know-how and market differentiation, but there's no successor in place to take over. Rather than closing the business or selling it to a long-time competitor, Axiomatic appoints a manager to take over the reins without altering the company's spirit, while maintaining staff and continuing to develop the business. The principle involved is "buy and hold", i.e. acquiring a business for the long term. We don't do aggressive takeovers, in order to leave the company with the funds it needs to develop.

What kind of companies do you acquire?
SMEs operating in the traditional economy, specifically in crafts, industry and services. For example, we took over Reka a printing company, as well as Ady's Hygiene, both of which continue to thrive: Reka has expanded by acquiring other companies, and Ady's Hygiene by offering new services. In this way, we've supported the development of about ten companies from a wide range of industries.

What are the stages of a takeover?
1. We start by interviewing the business owner, to establish a dialogue and build trust.
2. We then enter into initial talks, which give us an understanding of the business and its financial data. Ideally, at this point, the owner should have an idea of the sale price, so we can gauge whether to take the talks further. Axiomatic then makes a non-binding offer and draws up an initial schedule for the implementation of the transfer.
3. The more detailed analysis, involving financial and legal due diligence, can take from 1 to 5 months.
4. This allows us to make a final decision on whether or not to proceed, and to confirm the sale price.
5. The sales contract is drawn up. It then has to be reviewed by the transferring company's legal advisor.
6. Lastly, the contract is signed and payment made. Companies acquired are financed via equity and debt. The whole process may take around 6 to 18 months.

What advice would you give to sellers?
- Surround yourself with the right people, particularly in terms of legal advice: choosing a lawyer specialised in mergers and acquisitions is a must.
- Prepare yourself mentally for the sale of your business, with all that this entails in terms of social status, income, and so on. For example, your email address will no longer exist. For some, this comes as a slight shock.
- Plan ahead, don't hang on and complete the transfer on time. All too often we see businesses lose momentum and become unmarketable because their owners fail to innovate in their final years.
- Ensure the buyer is serious and has sufficient funds.

What advice would you give to buyers?
- Make sure to carry out a full due diligence.
- Leave yourself room for manoeuvre in financial terms, rather than engaging in a risky transaction with no safety margin.



FANNY SCHLESSER,
FOUNDER OF CATSITTER (WWW.CATSITTER.LU)

What is Catsitter?
Catsitter is a home cat-sitting service. It acts as an intermediary between cat owners and catsitters (mainly cat-loving students).

Why did you sell Catsitter?
I initially created Catsitter as a secondary activity, but it became so successful that it became impossible to reconcile my professional life in the banking sector with the development of the business (which occupied my evenings and weekends).

“By selling my business i had the triple benefit of receiving money for the work i had put in, seeing the business thrive and not giving up on clients and catsitters.”

Why did you use the BusinessTransfer service?
Without their advice and support, the sale wouldn’t have been possible. The business would simply have been shut down.

What services did BusinessTransfer offer?
- Matching seller and buyer.
- Company valuation. Having developed everything by myself (website, logo, client database, etc.), it was difficult to put a figure on the investment. BusinessTransfer helped me find the right price, which was accepted by the buyer.
- Legal support in drawing up contracts, checking the important points and not skipping any stages. When it comes to the legal aspects, make sure to get good advice!
- Information and consultation meetings with the buyer, so that information can be exchanged in full transparency.

What was important to you?
It was important that the buyer respected Catsitter’s values: love of animals, seriousness, availability for clients. I wanted to be sure the change of management wouldn’t affect clients.

How did the transfer go?
We planned for a six-month transfer period. In the first few weeks, I continued to be the contact person for clients and catsitters, then the buyer steadily took over. A year after the sale, I’m still available to answer any questions the buyer might have.

What advice would you give to sellers?
Be transparent about the business’s weak points to avoid negative experiences and the risk of putting the business in difficulty. Think about the business rather than yourself.

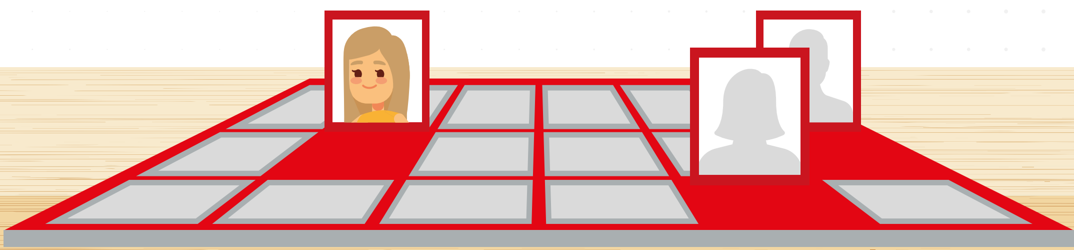
KEY FIGURES:

850
CATSITTERS

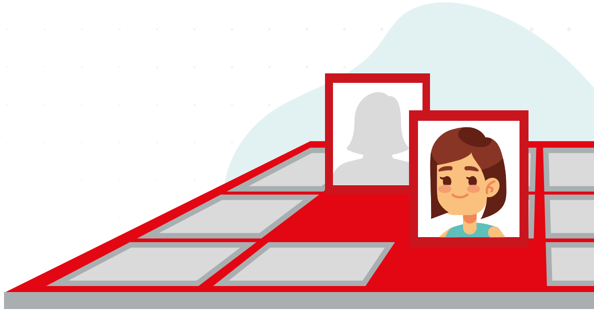
2 WEEKS
TIME NEEDED TO FIND A BUYER

6 MONTHS
TIME BETWEEN FIRST CONTACT AND SIGNATURE AT NOTARY’S OFFICE

6 MONTHS
PERIOD OF SUPPORT BY FANNY TO THE BUYER



Testimonials



EVA-MARIA HALLFELL
TIME POWER ADVANTAGE (TEMPORARY EMPLOYMENT AGENCY).

What motivated you to sell?
For me, it was time to let go. Running your own business is very demanding and it can become exhausting.

What were your criteria for choosing the buyer?
I tried to be absolutely sure that the buyer fitted the company culture. The buyer had to have the same values, that was non-negotiable. Another criteria was the size, as I didn't want to put my business in the hands of a larger organisation. And of course the price offered had to meet my expectations.

What support did you receive?
As head of the company, I had to stay focused on my business. You can't sell a business on your own. You need support of professionals with solid experience in mergers and acquisitions. The Luxembourg Chamber of Commerce gave me administrative and moral support, and suggested personalised support from an external partner. The latter helped me through the process, as did my own tax advisor.

How did you prepare your employees for the sale?
My employees were involved throughout the process, and, with the exception of one person, they were very supportive. Honesty, integrity and transparency are key to avoiding employee resistance when transferring a business.

What obstacles did you encounter during the sale?
I put my trust in a buyer I thought I knew, without properly checking his seriousness and solvency. I only realised my mistake a few days before signing the deed of sale. I had to write off all the costs incurred in preparing the sale, while the person who tried to deceive me got off lightly, claiming "private insolvency".

"My advice: do your due diligence to avoid any emotional or financial pitfalls!"

DAN SCHNEIDER,
TENZING PARTNERS

Your company specialises in support to companies that want to transfer their business.
What are the main obstacles that may arise during a business transfer?
Sometimes the seller has a hard time accepting the need to be accountable to the buyer and be fully transparent. This should be dealt with from the very first discussions to put the relationship on the same page.

We often think the ideal candidate is a company in the same business segment and sector, but sometimes the key to success is complementarity.

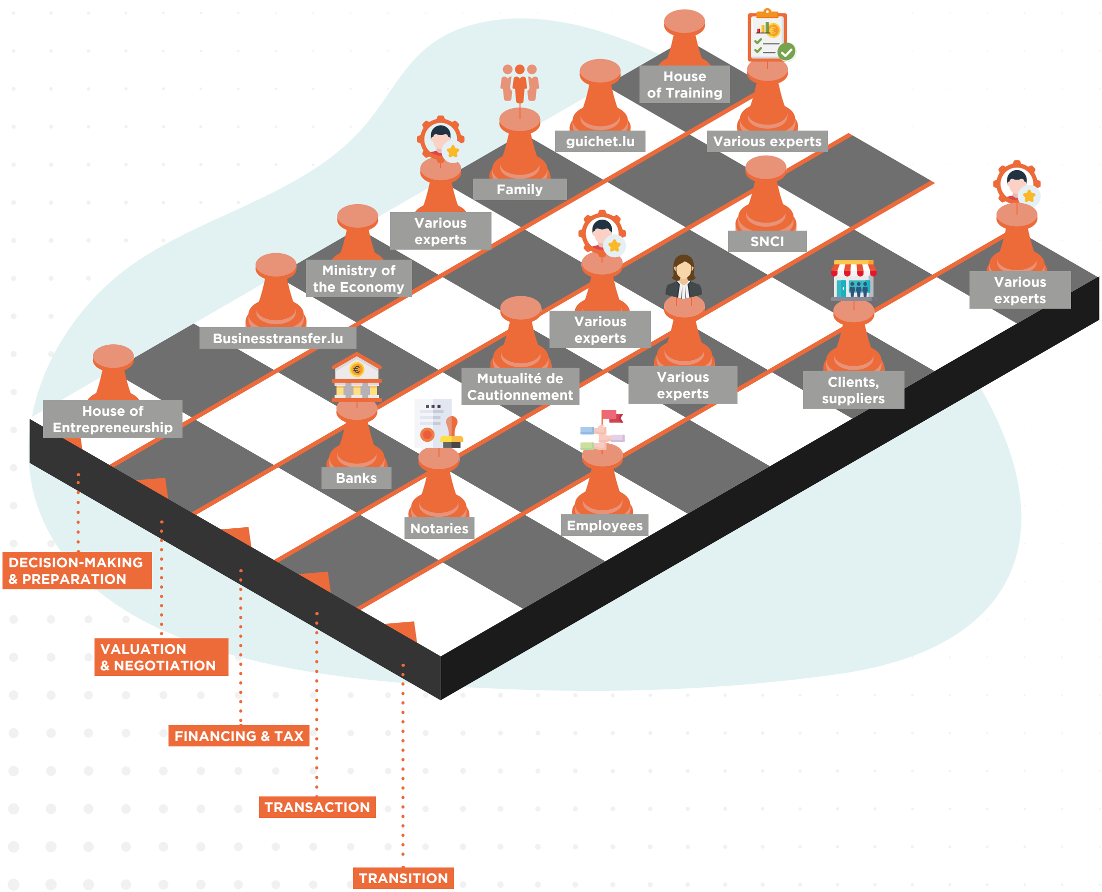
Sometimes teams function very well in an SME but feel lost when a large group absorbs their company.

"Lastly, and especially in Luxembourg, it is importantto pay attention to the clash of cultures and in particular languages."

A German company that buys a Luxembourg company with a predominantly French-speaking workforce may face integration difficulties.


PROS, FLEXIBILITY IS YOUR DAY TO DAY? SO IS OURS!
Our advisors come to your office to offer you services at the best price!
GO TO TANGO.LU
OR CALL 27 777 377
Switchboard for €9,90 /month excl. VAT
Mobile subscriptions for international use
Tango Fibre Bizz
tango
(tango.lu)

Stakeholders in the business transfer



DECISION-MAKING & PREPARATION

HOUSE OF ENTREPRENEURSHIP
powered by the Luxembourg Chamber of Commerce

- Check-up: analysis of the candidate's commercial situation and proposal of solutions: support, expertise, training, etc.
- Advice and administrative support throughout the entrepreneurial process
- Advice on the sale/acquisition
- Bringing buyers and sellers together
- Feasibility analysis for takeover project

www.houseofentrepreneurship.lu

Businesstransfer.lu

- National platform for business transfers
- Partnership between the Chamber of Commerce, the Chambre des Métier and the Ministry of the Economy – General Directorate for Small and Medium-Sized Enterprises
- Its role is to group together transfer and takeover offers for all businesses established in Luxembourg.
- Provides advice and a matching service

www.businesstransfer.lu

LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère de l'Économie

Direction générale des classes moyennes

- Issues business licences
- Provides state aid for business transfers

www.meco.gouvernement.lu

guichet.lu

- Information portal providing a wide range of useful information on the creation, management, development and transfer of a business, as well as on liquidation and even bankruptcy

www.guichet.lu

HOUSE OF TRAINING

- Provides continuing vocational training
- Training courses: "Cycle Boostez votre entreprise – reprise d'entreprise" (cycle boost your business – business transfers), "Aspects fiscaux de la transmission et restructuration d'entreprise" (tax aspects of business transfers and restructuring).
- Additional services

www.houseoftraining.lu

VALUATION & NEGOTIATION

Various experts

- Command of tax, economic, financial and legal aspects
- Advice on the future company's legal status
- Analysis of the capital gain and calculation of the tax burden based on the seller's profile
- Valuation or secondary valuation of the business

FINANCING & TAX

Banks

- Financing the proposed transfer

MUTUALITÉ DE CAUTIONNEMENT

- Helps the entrepreneur access financing by acting as guarantor for surety bonds and bank guarantees
- Advice on state aid

www.cautionnement.lu

Various experts

- Preparing the financing application

SNCI
SOCIÉTÉ NATIONALE DE CRÉDIT ET D'INVESTISSEMENT

- The SNCI provides start-up and transfer loans to newly-created or acquired SMEs.

www.snci.lu

TRANSACTION

Notaries

- Advice and drafting of the deed of sale

Various experts

- Legal support in preparing the deed of sale
- Drafting non-disclosure agreement, due diligence
- Transfer agreement, memorandum of understanding

TRANSITION

Employees

- To be involved depending on the degree of progress

Clients, suppliers

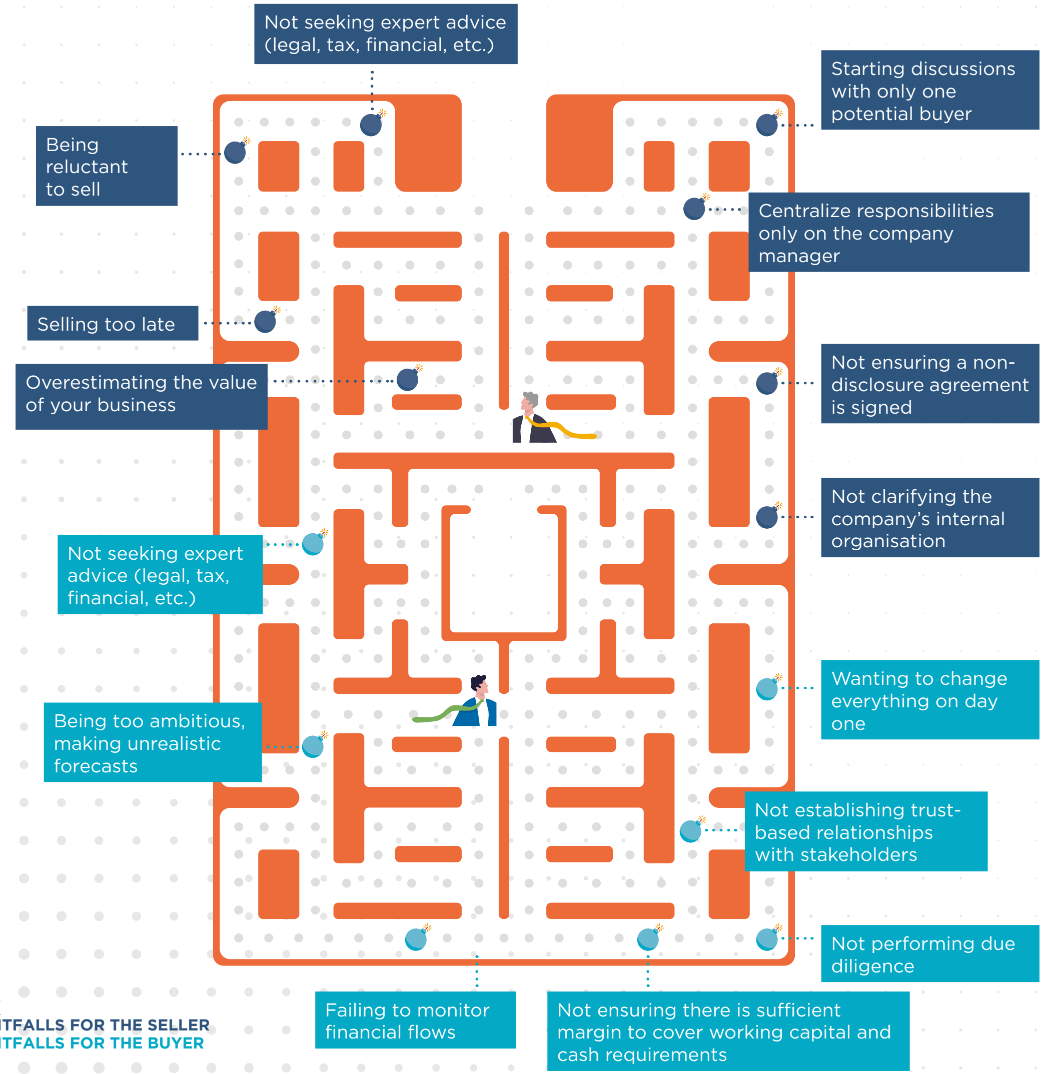
- To be involved depending on the degree of progress

Various experts

- Support in relation to HR, strategy, etc.

Pitfalls to avoid

Selling or taking over a business can have many pitfalls. By following the right steps and listening to feedback from buyers and sellers that have already gone through the process, the main pitfalls can be avoided.



KEY
- **PITFALLS FOR THE SELLER**
- **PITFALLS FOR THE BUYER**

Glossary

Family, friends & fools (3F): financing of the takeover project by family members, friends or donors.

Operating permits (‘commodo/incommodo’): operating permits for classified establishments (industrial, commercial or craft site) which define the development and operating conditions deemed necessary to protect the environment and ensure the safety of workers, the public and the neighbourhood in general.

Buy & hold: investment strategy that involves selecting investments and holding them over the long term. In the case of a business takeover, the aim is to make the business prosper.

Due diligence: audit carried out by a potential buyer before proceeding with a transaction in order to better understand the strengths and weaknesses of the target business and to ensure that the sale price is reasonable. Potential buyers are advised to use the services of financial and tax experts. Sellers should also satisfy themselves that the potential buyer is solvent.

Earn out: clause indicating the final sale price, subject to the business’ future performance (the price includes a fixed and a variable part). Can be used when the business valuations of the buyer and seller differ significantly.

Key man risk: the risk of the business being dependent on one (or a few) key individuals. In the event of a business transfer, the seller should ensure that he or she is not essential to the survival of the business.

Pledge: legal act of providing an asset as collateral (business assets or company shares): the owner of the asset continues to benefit from its use, but cannot dispose of it without the creditors’ consent.

Non-disclosure agreement (NDA): confidentiality agreement to be signed by both parties, who undertake not to divulge (except to expert advisers) either the existence of negotiations or the information provided.

Shareholders’ agreement: a non-statutory contractual document drawn up between the shareholders to define the operation of the business and the remuneration of shareholders.

ACCOMPAGNER LA TRANSMISSION D'UNE ENTREPRISE FAMILIALE

Décider de reprendre le flambeau de l'entreprise familiale n'est pas toujours évident. À travers un accompagnement personnalisé et différents programmes éprouvés, la Banque de Luxembourg encourage la génération montante à mieux définir sa position future par rapport à l'entreprise familiale.

Au Luxembourg, 70 % des PME sont des entreprises familiales. Or, en raison de la transition en cours entre la génération des baby-boomers et celle qui suit, un grand nombre d'entre elles changeront de mains entre 2020 et 2030. Une bonne partie de ces entreprises resteront dans la famille, reprises par un ou plusieurs représentants de la Next Gen. Si elle peut paraître plus facile à mener, la transmission, «en interne», d'une entreprise familiale, n'est pas sans poser certaines difficultés.

Un rôle de facilitateur

La transmission d'une entreprise est un moment important dans la vie d'un entrepreneur, mais il s'agit aussi d'une grande étape pour les membres de la génération suivante. Pour aider les familles à répondre à leurs questions et faciliter la communication entre la génération en place et celle qui lui succède, il est important de pouvoir compter sur une tierce partie, qui aide à prendre un peu de recul. C'est ce rôle de facilitateur que joue la Banque de Luxembourg. *«L'une de nos principales missions est de faciliter la communication entre les membres de la famille, de les mettre autour d'une table pour comprendre quelles sont les attentes de chacun.»* détaille Anne Goedert, Family Practice Advisor au sein de la Banque de Luxembourg.

Sur base de cet état des lieux, la famille sera amenée à co-construire une feuille de route et un plan d'action; l'objectif étant la pérénnisation du patrimoine tout en préservant l'harmonie familiale.

Des programmes dédiés

Pour les représentants de la génération montante, il s'agit d'abord de trouver réponse aux questions qu'ils se posent: souhaitent-ils intégrer l'entreprise familiale? Le cas échéant, quel rôle veulent-ils y jouer? Pour ceux qui ont déjà intégré l'entreprise familiale, il s'agira de s'affirmer et de développer leur leadership.

Depuis plus de 10 ans, la Banque de Luxembourg offre à ces jeunes un cadre d'échange entre pairs à travers des programmes qui rencontrent un grand succès:

- L'Académie d'été: entrer ou non dans l'entreprise familiale?
- Le Family Business Junior Executive Program: comment établir ma légitimité?

L'intérêt principal de ces programmes est de faire prendre conscience à ces jeunes qu'ils ne sont pas les seuls à avoir les mêmes questionnements.

«Souvent, ils gardent le contact après nos programmes. Un vrai réseau se crée de cette manière et ils y trouvent le soutien nécessaire en cas de difficulté»

Anne Goedert,
Family Practice Advisor au sein de la Banque de Luxembourg.

Pour plus d'informations, scannez ce QR code


"MÄI BETRIB GËTT ENG KÉIER MENGER DUECHTER SÄIN.
Mäi Conseiller begleet eis dobäi."
ENTREPRENEUR SINN ASS ENG PASSIOUN.
Fir méi gewuer ze ginn, kontaktéiert d'Anne Goedert, Conseiller Entreprises, a seng Ekipp um Telefon 49 924-4015.
www.banquedeluxembourg.com/entrepreneurs-lu
BANQUE DE LUXEMBOURG