

Case Study

Mima Group

OUR SERVICE:
Management Buyout
BUSINESS SECTOR:
Creative Services

The business

Mima is a design agency that for nearly 50 years has put human behaviour at the heart of designing spaces, services and experiences. A recent project involved working with the COP28 teams to ensure that the 2023 event held in Dubai was accessible for guests, staff members and volunteers.

Why a vendor-assisted management buyout?

The company's major individual shareholders had retired from working in the business and were looking to sell their shares. The three leadership team members, two of whom already held a minority shareholding, were keen to succeed them by mounting a management buyout which would not involve significant personal investment or third party funding.

Working with us

We were engaged by the company to listen to what it, its shareholders and management team wanted to achieve, then help it develop a plan. We then presented to the management team and shareholders an outline plan, involving a core suggested way to pass on the ownership with some possible alternative variations to help ensure that the plan met the needs of all parties.

After careful discussion this was developed into a final plan which everyone was happy with. The agreed solution was a vendor assisted management buyout, that is each of the majority shareholders were to sell their shares to a new company (newco), agreeing to be paid in future instalments funded from the company's profits.

We then arranged HMRC tax clearance and implementation and project managed the transaction to ensure successful delivery for all parties.



How did it work?

Newco purchased the company at a price agreed between the selling shareholders and the directors:

- Most of the retiring founder shareholders agreed to be paid over a time period, fixed amounts by certain dates. One of them wished to continue as a part-owner and so was partly paid by receiving new shares in Newco.
- The directors were paid partly through loan notes (a form of IOU, to be repaid over the same time period) in Newco and partly through Newco shares (so their ownership continued but now through Newco)^[1].
- A third director who did not already hold shares in the company invested in Newco shares.
- The terms of the sale of the company were recorded in a share purchase agreement and the terms of the ongoing relationship between the four Newco shareholders were set out in a shareholders' agreement

The result was that the company (through Newco) became owned (approximately 25% each) by its three directors and the original non-director shareholder who wished to continue as a co-owner.

Who runs the company?

Mima is now both majority owned and led by its directors.

[1] By exchanging their shares in the company for loan notes and shares in Newco, they were able to defer liability for capital gains tax until the loan notes were paid off and Newco shares sold.