

Case Study 3: Successful Resource Consultants Rewarded for Long-Term Planning

A science-based professional consultancy in the Australian resource sector began business some 30 years ago. This has grown into a very profitable business, and is well regarded in specialised international circles as well as in Australia. The consultancy was typically engaged and working with high-yield projects.

Over time, two directors had accumulated well over 85% of equity and both were looking at retirement within five years. One other owner had 10% (with no intention to buy more) and three other owners shared the remaining 5%. The business was so profitable that it was not possible for any other minor owner to purchase a meaningful position in the next five years.

Instructions to BizSuccession were to address the immediate exit strategy planning and to consider longer term succession. We were able to put the immediate plans in place including working with the financial advisor to fund some events with insurance. By working with the business accountant and a CGT expert, a long-term buy-out (at a fixed but much reduced price) was established so that a selected and approved minor owner had a genuine chance of building up a 15-20% stake over five years.

This equity would ensure his ability to take over the CEO role in the long term and also ensure the gradual purchasing of the two majority owners' stock. BizSuccession worked with specialist solicitors to codify these action plans into the business succession agreement. The major owners have now established the generational succession they needed and will be recompensed over a predictable, timed schedule for their 30 years of developing the business.