Strengthening and leading Blue Sky to a premium sale

Blue Sky Performance Improvement, a boutique performance improvement consultancy, engaged Equiteq to help build value over several years with the aim of finding and securing a deal with an acquirer who would buy at a premium price. Equiteq worked closely with the Blue Sky leadership team to grow their equity value, improving and strengthening key areas of the business such as market propositions and intellectual property that proved vital in demonstrating their synergy to the eventual buyer. At the end of a three year process, Blue Sky were approached by Capita. Equiteq led the sale of the firm to Capita, who offered £12 m, equivalent to a revenue multiple of 1.7.

The client’s situation
Blue Sky had sound business propositions and a steady client base in the performance improvement area of consultancy. Its ambitious management team wanted to sell to de-risk the value they had built to-date and sell whilst the business was performing well. Equiteq firstly conducted an Equity Growth Accelerator, and a quarterly review of progress continued over 36 months. Blue Sky decided to switch to another advisor to try and clinch a sale deal. Unfortunately, it fell through, and they found themselves back to square one. So Equiteq were re-engaged with a very clear goal: to build growth and profit in the business and secure a buyer who would pay a premium price for its assets in 2014.

Our approach
Over three years Blue Sky used Equiteq’s 8 lever ‘Equity Growth Wheel’ with ongoing consulting support to set up a best practice operating model and grow revenue, profits, and equity value.

Selling a ‘people’ business, where, in theory, your strongest assets and intellectual property could walk out of the door at any moment, requires a unique approach to sale. Equiteq helped Blue Sky build stronger market propositions, put rigour and process around capturing their intellectual property and strengthened its management structure.

Three years into the process and with profits growing healthily, Blue Sky was approached by Capita plc. Capita had recently won a large government contract and Blue Sky was seen as a key part of the delivery solution. Equiteq managed the sale process throughout, and negotiated a premium price.

How did this deliver value to the client?

- Using Equiteq’s Equity Growth Wheel, Blue Sky made fast progress over 4 years towards best practice in key areas, specifically Market Proposition, Intellectual Property and Management Quality
- Equiteq helped grow Blue Sky’s sales from £4.2m to £7m
- Blue Sky were offered £12m, negotiated up by Equiteq from an initial offer of £10m, with 60% payable cash up front
- Earn out period was reduced from 33 to 27 months
- Equity value increased from 5 x profit to multiple of 7.6 x profit
- The revenue multiple increased to 1.7
- Equiteq took Blue Sky from being an attractive sounding business and transformed them into being a robust business asset.

Growing equity, realizing value
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