



## Post-Retirement Exit: Structuring a Family Business for Sale

### Client: Scanning Systems Australia

#### Company Profile

Scanning Systems Australia is a Brisbane-based Point of Sale (POS) software and technology company specialising in retail management systems for the Australian grocery and petroleum industries.

The family-owned business was founded in 1997 after the tremendous success of its flagship Profit Track software and has been a leading provider of POS solutions for over 10 years. Due to the hard work and persistence of husband-and-wife team David and Heather Hagen, the business had enjoyed consistent year-over-year growth and employed a staff of 13 with an annual turnover of approximately \$1.9M.

#### The Challenge

David and Heather approached FINH to discuss succession planning. David was approaching 65 years of age and had no clear post-retirement succession plan for the company. Although David and Heather had a daughter and son working in the business, neither wished to take over full responsibility for the ongoing management and ownership.

The lack of a succession plan weighed heavily on the minds of David and his employees. David felt that he had given the business the best years of his life, and was ready for a change. However, without a succession plan, it was unclear what steps the company's directors should take to manage the transition.

The firm's intellectual property, market position, and healthy growth made it an attractive prospect for acquisition. However, "I had no idea of where to look for answers, or how to go about structuring the business to make it

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David Hagen

Scanning Systems  
Australia

attractive to a corporate buyer,” says David.

Based on meetings with David, Heather, and key employees, FINH determined that Scanning Systems needed to do the following:

- Establish a comprehensive succession plan for the business;
- Restructure the company to account for future growth areas;
- Phase David out of the day-to-day running of the company.

### The Solution

After meeting with David and Heather to develop an understanding of the business’s current structure and needs, FINH developed a comprehensive plan designed to give the business options for the future. We suggested and then implemented a corporate restructuring plan dividing the business into three separate entities, designed to simplify a future acquisition.

As part of FINH’s services to David and Scanning Systems, we discussed and then worked with them to establish business and personal structures to manage their wealth in a tax-effective manner. This planning included the Hagens’ long-held desire to invest in their charitable interests.

In order to govern the transition of the family business, an Advisory Board and Family Constitution was set up to develop organisational capacity through better corporate and family governance. The board meets once each quarter and brings focus and clarity to strategy setting and performance monitoring for the group. FINH set up a process so the new advisory council could receive financial reporting information that is concise, on time, and is measured within a valuation framework that is easily understood by both the board and senior managers of the organisation.

### The Results

In 2011, with David nearing his 70’s, Scanning Systems Australia experienced dramatic growth, expanding their staff to 43 employees and increasing their annual turnover to \$9M. The growth included a substantial new export contract, increasing the firm’s long-term competitive viability.

When a publicly-listed competitor made an offer to buy the company, FINH undertook a business valuation on David’s behalf. Due to our in-depth knowledge of the company’s internal operations, he felt that we could provide a thorough, mutually agreeable acquisition valuation. After extensive research, we valued the business at a very attractive number, excluding the export division. The buyer agreed to the price and the company was sold. “David Harland of FINH demonstrated clearly what was needed to achieve our goals,” says David Hagen. “He put governance and management structures in place, and when a buyer knocked on our door he controlled and coordinated all processes along the way. The outcome was way beyond my

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FINH negotiated on behalf of David to retain the export division of the organisation ensuring an outlet for his passion for the business. He and Heather are now able to concentrate their efforts on export sales as well as their passion for travel and philanthropy.

### **About FINH**

FINH is a niche advisory firm providing expert services to family business groups. We offer a wide range of services in the areas of Business Strategy, Accounting and Tax Planning, Wealth Management and Investment, Valuation and Succession, and Finance and Governance.

We specialize in working with family businesses and offer our clients the benefit of fully-integrated advisory services designed to help our clients meet their present and future business needs. We believe that family businesses have unique needs and advantages and have dedicated ourselves for over 30 years to providing specialist services to help clients overcome these challenges.

FINH have been accredited advisers with Family Business Australia since 2006 and the international organisation Family Firm Institute, since 2010.