



The future is now in your hands

**Succession planning
for companies**

Will your business have to retire when you do?

The majority of Swiss SMEs are run by families. Owing to demographic trends, most of them will be faced with succession planning issues in the next few years. Time is often the decisive factor.



points when planning a company's future responsibly:

- Handing over responsibility for a business – your life's work – is a great adjustment for everyone involved and naturally gives rise to uncertainty and fears. With the help of professional coaching, it can be turned into a constructive process – to the benefit of all.
- The close link between the social system represented by the owner's family and the company itself generally calls for a separation of the capital, financing and management structures.
- It is always worth taking steps to increase the value of the company before any handover, as the business often makes up the greater part of the owner's retirement provision.

Succession planning options

Depending on your objectives, various forms of succession are worth considering. The most common ones are:

- Inheritance/succession within the family
- Sale to an investor
- Management buy-out (MBO): takeover by member(s) of the company's management team
- Management buy-in (MBI): Takeover by an external management team
- Transfer to a foundation
- Investment/takeover by a financial investor
- Sale to another company
- Merger with another company

The complexity and therefore time involved in finding a satisfactory and forward-looking solution for all stakeholders is often underestimated. Without meaning to, this jeopardizes the continuance of many businesses and puts jobs at risk.

You should therefore make realistic plans. You should allow yourself 3 to 5 years to arrange a takeover under optimum conditions.

Challenges

You should not underestimate the following

Time needed



Constructive process

"How long do I want to go on working?" and "What happens to my business after that?": It's best to deal with these two issues separately.

Embarking on long-term planning at an early stage is the only way to achieve the freedom you need to identify and implement the best possible solution.

It enables the business to continue as a going concern, thus securing jobs. At the same time, it lets you – the seller – plan ahead for retirement and safeguard your financial security.

This structured approach is not only of major benefit in the normal course of events, but also when an unforeseen situation arises – such as illness or accident.

Succession situation in Switzerland

At least one in five business owners will make arrangements for their succession in the next few years.

More than 77,000 entrepreneurs who provide work for around 1 million employees are facing succession decisions.

Around 30% of all Swiss jobs will be affected by business succession arrangements over the next five years.

Whereas in the 1990s, 70% of companies managed to find a successor within the family, today that figure stands at just 40%.

Here are some of the reasons: Demographic change means fewer descendants, a drop in the number of commercial and manufacturing enterprises, a rise in the number of service companies, progressive academization, more career choices, and different values among the younger generation.

Finding a successor outside the family is growing in importance.

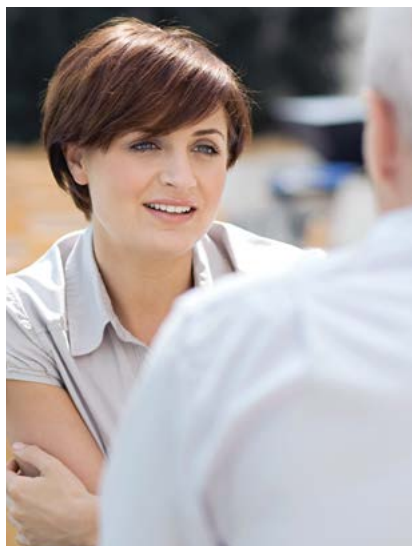
At 95%, the probability of a transferred company surviving its first five years in business is distinctly higher than that of a newly founded company. Every second start-up fails.

For young companies it can be more attractive in economic terms to take over an existing company than to establish a new one.

Sources see page 11

AXA's commitment to SMEs

The large number of SMEs in existence makes succession planning a relevant factor in the domestic economy: There's a good reason why SMEs are considered the backbone of the Swiss economy. AXA aims to provide interested SMEs with direct support in partnership with Consulta AG.



Succession planning



CONSULTA

Consulta AG has been assisting SMEs with succession planning since 1978 as a single-source provider of all the services required for effective business succession.

A nationwide network of succession planning specialists, auditors and lawyers ensures top service provision.

- Project management and planning
- Corporate culture taken into account
- Current positioning
- Company valuation
- Search for successor
- Financing
- Business plan
- Taxes
- Legal
- Real estate

Protection



As the leading Swiss all-line insurer offering innovative insurance products and individual pension solutions, AXA guarantees comprehensive financial security tailored to your needs in the succession process. AXA is the insurance partner of almost every second company in Switzerland.

Insurance:

- Risk assessment
- Needs analysis for optimum coverage and security

Pensions:

- Pension planning
- Retirement planning
- Tax optimization of private investments
- Needs-based and risk-based investments
- Review of occupational benefits provision
- Optimization of pension fund solution

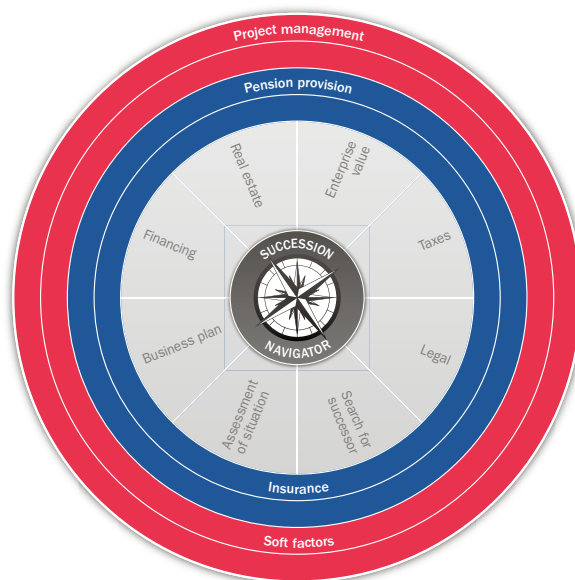


Cutting-edge instrument

No goal can be achieved without orientation. That is why Consulta AG has developed the Succession Navigator®. This compass will guide your company safely through the process of effectively finding a successor. Step by step it will clearly show you what matters you need to tackle and what results you should achieve.

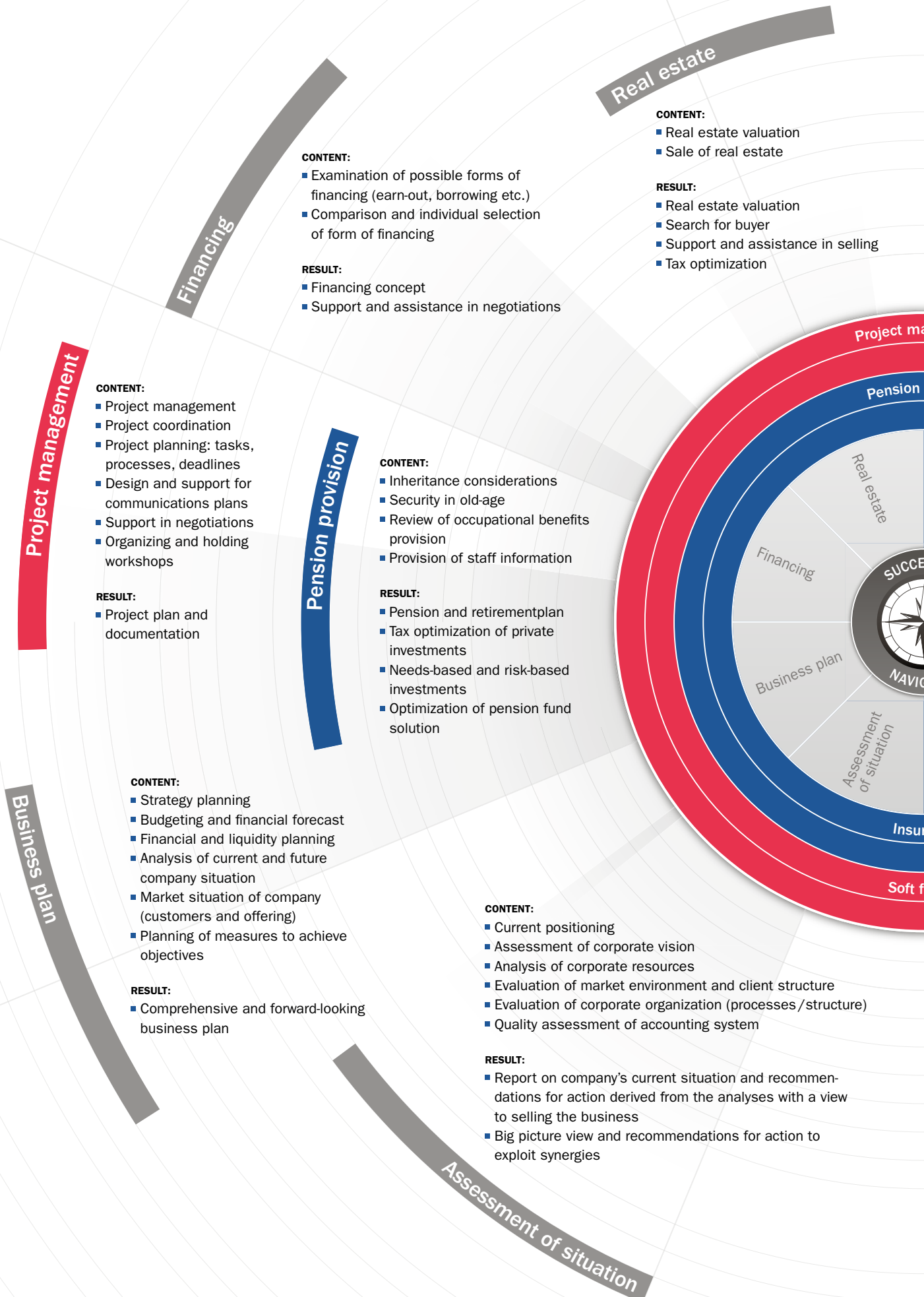
Your benefits

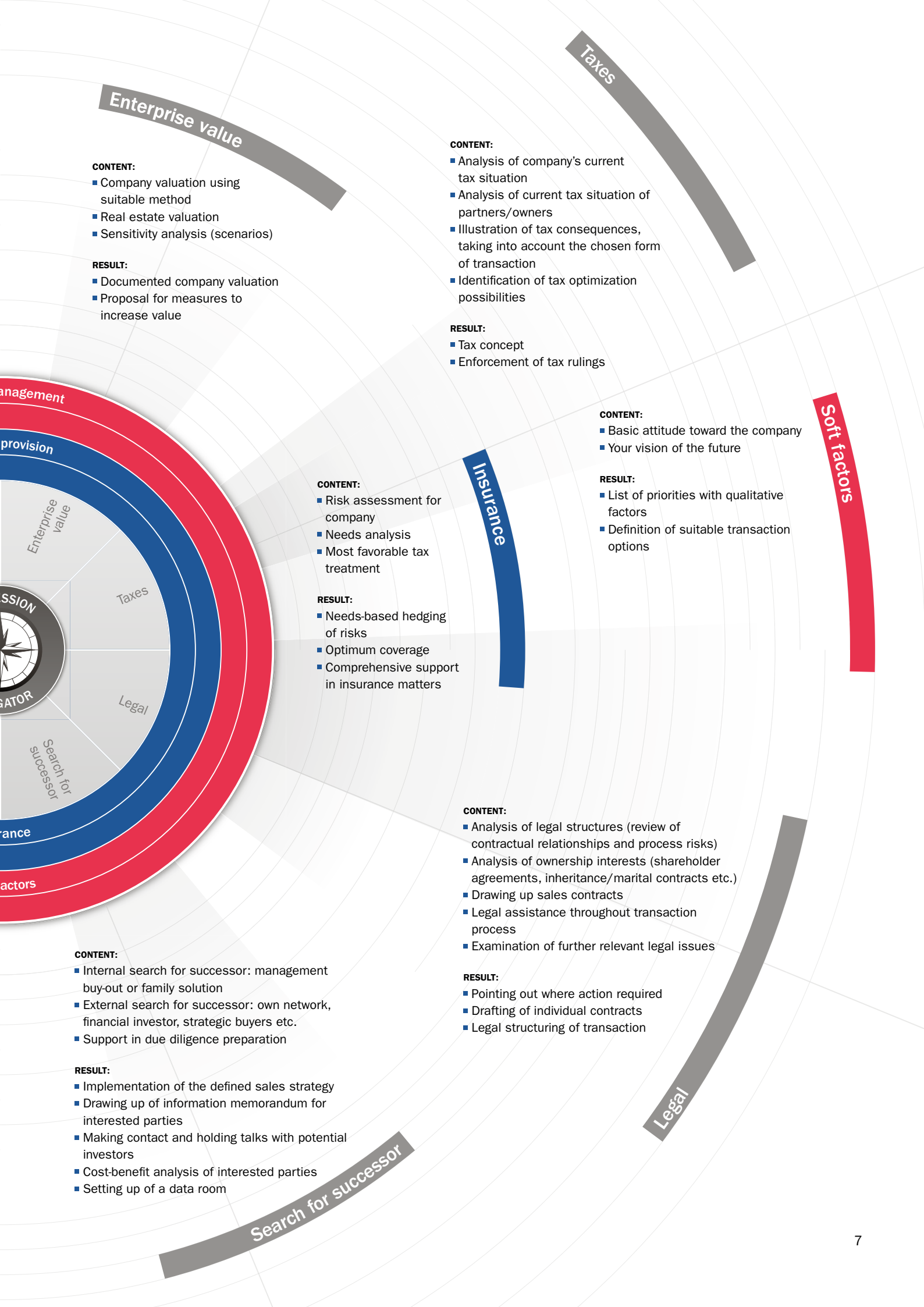
- Effective and comprehensive project management
- Independent 'big picture' view
- Solutions and services to meet individual company needs
- Cost-benefit analyses of the personal and business consequences as a decision-making aid
- Insurance and pension services that can be integrated in the overall process
- Optional integration of existing corporate partners in the succession process
- Consulta AG has gained familiarity with the succession process through performing mandates, as well as from its own experience. On request, it will be happy to put you in touch with former entrepreneurs it has helped through this process.
- All services as an overall package from a single source



The Succession Navigator® is an overall concept designed specifically for SMEs to ensure you can maintain an overview and keep your bearings in the complex process landscape.

Overall ('big picture') view: Succession Navigator®



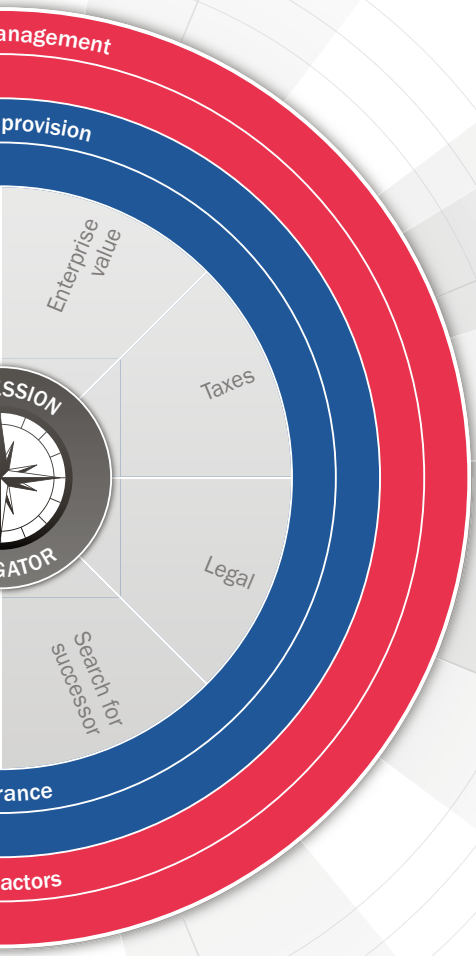


Enterprise value

- CONTENT:**
- Company valuation using suitable method
 - Real estate valuation
 - Sensitivity analysis (scenarios)
- RESULT:**
- Documented company valuation
 - Proposal for measures to increase value

Taxes

- CONTENT:**
- Analysis of company's current tax situation
 - Analysis of current tax situation of partners/owners
 - Illustration of tax consequences, taking into account the chosen form of transaction
 - Identification of tax optimization possibilities
- RESULT:**
- Tax concept
 - Enforcement of tax rulings



Insurance

- CONTENT:**
- Risk assessment for company
 - Needs analysis
 - Most favorable tax treatment
- RESULT:**
- Needs-based hedging of risks
 - Optimum coverage
 - Comprehensive support in insurance matters

Soft factors

- CONTENT:**
- Basic attitude toward the company
 - Your vision of the future
- RESULT:**
- List of priorities with qualitative factors
 - Definition of suitable transaction options

Search for successor

- CONTENT:**
- Internal search for successor: management buy-out or family solution
 - External search for successor: own network, financial investor, strategic buyers etc.
 - Support in due diligence preparation
- RESULT:**
- Implementation of the defined sales strategy
 - Drawing up of information memorandum for interested parties
 - Making contact and holding talks with potential investors
 - Cost-benefit analysis of interested parties
 - Setting up of a data room

Legal

- CONTENT:**
- Analysis of legal structures (review of contractual relationships and process risks)
 - Analysis of ownership interests (shareholder agreements, inheritance/marital contracts etc.)
 - Drawing up sales contracts
 - Legal assistance throughout transaction process
 - Examination of further relevant legal issues
- RESULT:**
- Pointing out where action required
 - Drafting of individual contracts
 - Legal structuring of transaction

Step by step to a solution that leaves everyone completely satisfied

Finding a successor always begins with the key question: Is what happens to your business important to you, and do you feel any responsibility toward your employees? The process can be broken down into four steps accompanied by a needs analysis and the finding of insurance and pension-related solutions.

The decision

You have put your heart and soul into your business. So it's understandable that you want to hand over your life's work to the right successor, male or female.

As your own personal goals take center stage from the very beginning, the following questions can help you weigh up the pros and cons of any one specific succession arrangement:

- Should the business continue as a going concern?
- If yes: Is the company in good shape to be passed on and are you ready to hand over responsibility to a new generation?
- What is the time frame for handover and how is that handover to take place – in one single step or gradually?
- Are jobs to be maintained and safeguarded for your employees?
- How can the long-term success of the business be maintained?
- Would you like to see ideas and products continued and serving as a basis for future developments?
- Are relationships with your customers and suppliers likely to endure?
- How high is the value of the business rated?
- Are there potential candidates to succeed you (within or outside the family)?

- Ideally, how should the business develop after you leave?
- Are you aware that your employees and key managers are concerned about your succession arrangements?

Current positioning and valuation

Once the decision has been taken and your key aims defined, the next steps can be planned and initiated – that means taking a strategic look at the company's current positioning and making a sound valuation of your business. Both will be tackled from a variety of different viewpoints, including that of the buyer. The following parameters will be assessed by licensed audit and real estate experts:

- Resources
- Business and product range
- Value flows
- Client base
- Organization
- Real estate values
- Review of pension situation and comprehensive retirement planning for everyone involved: retirement provision frequently takes the form of financial capital in the company. That is why a combined approach (Consulta AG and AXA Winterthur) makes sense, especially as it takes all the tax aspects into account.

Choosing a successor

Setting criteria for potential successors is the best way to guarantee success during the evaluation.

In this phase, your succession partners' network is of crucial benefit. Absolute discretion is naturally guaranteed on both sides throughout the entire succession process. Possible criteria are:

- Vision for the company
- Entrepreneurial potential
- Experience
- Leadership qualities
- Social skills
- Knowledge of the industry
- Network
- Close ties with the environment in which the company operates



Business handover

It is essential to adopt a targeted approach during the handover process as the only way to empower the new owner to exercise his or her leadership function from the outset. It requires careful planning of everything that is about to change:

- Determine the exact approach and time schedule
- Specify roles and allocation of duties
- Design the contract
- Plan communication

Private insurance

and pensions

The following areas will be assessed and optimized or realized to match your interests as the company owner:

- Preferred date of retirement/handover
- Budget planning (by life stages)
- Tax considerations
- Current pension fund
- Private investments
- Company's capitalization (current and following any value-enhancing measures)
- Inheritance situation
- Family needs and circumstances

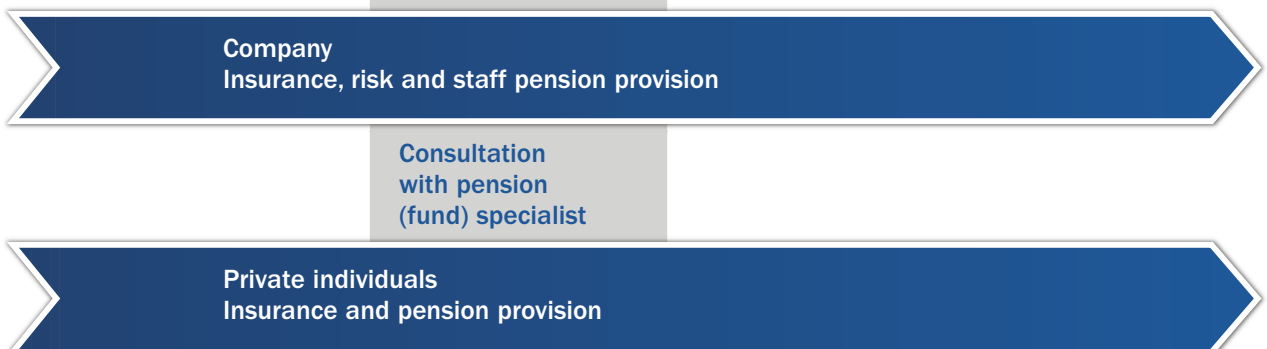
Business insurance and risk management

AXA is familiar with all the relevant components of coverage for long-standing customer relationships. That's why there can be no better partner to talk to at the time of a company takeover than AXA, to ensure continuation of the business and a focus on new strategic objectives in line with your needs. AXA is happy to let the new owners benefit from its impartial look at the company's background and its outstanding experience as insurer to almost 40% of all Swiss SMEs by providing them with comprehensive and proactive assistance.

Consulta AG



AXA



It's your move

Don't leave the continuation of your business to chance. Talk to your advisor at AXA and choose one of two options on how to proceed.



Seminar

You will be given an overview of every aspect that is or could be important in relation to your succession. An experienced corporate consultant and an audit expert will sit down with you to explain the potential scenarios and solutions.

The action plan drawn up with the help of the Succession Navigator® will enable you to plan your succession yourself. During the seminar, you will also be given plenty of opportunities to exchange views with the speakers and other participants, and to ask further questions.

Experience has shown that a group of 10–15 participants is ideal. However, please do not hesitate to express your own ideas and preferences. Your personal priorities take center stage from the outset.

Mandate

Consulta AG, a business and management consultancy, will be happy to accompany you throughout the succession process and provide you with comprehensive support. Following a free, no-obligation initial discussion, on request you will receive a quote for support with your succession planning.



To find out the latest seminar dates, please follow this QR code or ask your AXA advisor.



Interested?

Discuss your next moves with your advisor at AXA, who will be happy to inform you about the next available dates for the succession seminars or put you in contact with Consulta AG. All preliminary information is free of charge and with no obligation. Make the most of this opportunity!

Succession Navigator® and AXA via the following links:

- www.consulta-ag.ch
- www.nachfolge-navigator.ch
- www.axa.ch

Sources

- Effective Succession Management:
A study of emotional and financial aspects in SMEs.
Zurich: Credit Suisse, 2009.
- KMU Nachfolge – Quo Vadis?: Unsichere Zeiten – ist jetzt der falsche Moment?
Berne Stiftung KMU Next, 2012.
- See also:
www.nachfolge-navigator.ch/axa.html

You can find out more about Consulta AG, the

**More than 20% of SMEs will have a new owner in five years' time.
So now is the ideal time to start planning.**

Source: www.kmu.admin.ch/nachfolge-betriebseinstellung



**Pension and insurance matters demand individual attention.
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