

## **Making years of hard work count: How we maximised the value of our business before sale with Chalkhill Blue**

Grey Matter Learning is a learntech business based in the South East of England. They provide specialist eLearning courses to the care sector. Chalkhill Blue started working with the business in May 2018 and, in January 2021, we guided them to a successful sale – a crowning glory in any business owner’s career.

In this time, the business increased profitability by 300% and its valuation by 800%, ensuring that years of hard work really did pay off.

Outgoing owners Sarah Knapp and Kate Gardner share their exit planning experiences in their own words: what it was like to work with us and how it feels to be part of the 20% of business owners who successfully complete once their business is put up for sale.

### **Exit planning: How Chalkhill Blue helped Grey Matter Learning:**

- ✦ Develop a strategic scale-up plan.**
- ✦ Scale up both pre- and post-sale.**
- ✦ Significantly increase overall financial performance.**
- ✦ Improve cash flow quality.**
- ✦ Develop much stronger market position, USPs and intellectual property.**
- ✦ Grow contracted and recurring revenues**
- ✦ Develop a far more loyal customer base**
- ✦ Reduce reliance on key customers**
- ✦ Build a strong operational team to minimise reliance on shareholders**



## Ahead of it's time

*Sarah begins: "I was a founder member of the business in 2006. I'd been working as Head of Learning and Development for a local authority, responsible for a £1 million budget. The big problem, as I saw it, was that staff would go off on training courses; and when they returned their managers would have no idea whether they had gained new competency. Or, if what they had learned could be applied in the real world. My hunch was that there was a significant waste of public funding. An assessment tool to clearly show to management the level of knowledge that staff had would be extremely valuable.*

*You have to remember that, back then, care homes typically had just one computer on site, i.e. pre smartphone and tablet. So developing any kind of eLearning solution was a bold, forward-thinking move.*

*We took the plunge: asked a programmer friend if they could convert a PowerPoint presentation into an online assessment; got the thumbs up; and quit our jobs. Early on, we secured some modest funding from local councils to run trial projects. They were successful, but it was hard going.*

*Nevertheless, we could see the potential: different sectors, different assessments... there was so much we could do. Our ambition was to keep growing and scaling. This was going to fund our retirement."*

## Successes and challenges

*Sarah continues: "We were doing all right. The business grew. Our biggest challenges were that we were learning as we went along and had limited resources. We got on a government accelerator scheme and through that were guided by a good coach, a former Apple executive. As a leadership team, though, we struggled with the concept of having a coach. I was all for adopting the structure and processes which the coach was advising, but some of my then colleagues could not embrace it. In the end, it did not work out."*

## Starting work with Chalkhill Blue

*"Things carried on," Sarah observes, "But there was tension within the board. By now we had four directors and the conflict was damaging. We agreed that we needed a coach once more: someone independent who could navigate us on our journey. It was actually our accountant who recommended Chris Spratling of Chalkhill Blue to us.*

*Given our previous experience, we weren't convinced it would last. But, straight away, Chris made a positive impact, immediately able to use his personality to manage the different characters on the board. Home truths were told. It reminded me a little of Gordon Ramsay, if I'm honest." Sarah chuckles. "I can smile now. Although it wasn't easy, it was exactly what we needed at the time."*

## Strategic alignment for an exit plan

When we at Chalkhill Blue start working with a business on exit planning, it is essential that there is strategic alignment. We know that 48% of entrepreneurs who plan to sell have no exit plan. With this in mind, it comes as no surprise that only 20% of businesses listed for sale actually sell. So, right from the beginning, we work with the board to understand whether they are all pulling in the right direction and have the collective resolve for the journey ahead.

*Sarah picks up the story: “One board member was bought out by Kate in 2018. And another left soon afterwards. Kate and I had been friends for many years, but we had never worked together. Chris pushed me quite hard on this decision, playing Devil’s advocate as to whether it was the right thing to do. He was robust, but it needed to be done, and I felt it boded well for the future. I was resolute in my conviction that Kate would be good for the business, and so a deal was done.*

*With a vision for selling the company starting to form, Chris ran a series of strategic and creative thinking workshops to help us understand how we would make the vision a reality. The other remaining director would leave in the coming months, too, which was necessary for the eventual sale to go to plan.”*

## Implementing sweeping improvements throughout the business

With Kate now established in the business, she was making her own impact and well placed to see the change which was happening: *“As a co-leader, I let Sarah crack on with implementing all the ideas for structure and process that had been pent up for the previous 13 years. And Chris instilled a new-found financial discipline within the firm – really making us look hard at the money coming in and the money going out. We had a lot of mouths to feed but, speaking frankly, many of the ‘mouths’ weren’t performing well. They weren’t being managed well.*

*Difficult decisions lay ahead: A cull on head count. Transforming what had become a laid-back atmosphere into much more of a performance culture. I can’t emphasise how hard this was to go through, but Chris was by our side. He told us exactly how it would play out: ‘You need to do x and then y will happen’. And he was right. It really empowered us to keep on going through the dark times.*

*A game-changing moment came when Chris persuaded us to start ‘paying ourselves first’. It’s a well-known theory of course, but knowing of it and doing it are two different things. Adopting this principle gave us a massive psychological boost, and got us focused on profitability – essential for getting the valuation we desired.”*



## Getting the business ready for sale

*Kate continues: “We were becoming a data driven business, getting really granular with the numbers, which was one of the keys to the eventual sale. Chris got involved with team training for certain staff members. Hearing this external, independent voice of experience helped with getting the team to accept the change that was sweeping through the business.*

*We looked at our revenue streams and pricing and introduced new sources of income. These actions allowed us to undertake a big technical project - one which was necessary to bring our platform up to speed for the coming years, making it more attractive to buyers.”*

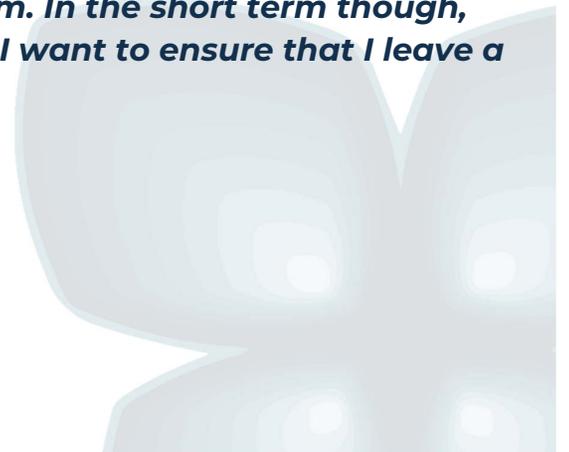
*Sarah adds: “Another important piece of the puzzle which Chris introduced was to understand ‘What it is that buyers want to know?’ and have the answers to all the questions that may come up. It was a great exercise, and one which helped us communicate the best possible narrative.”*

## Completing the sale - an amazing feeling

Success! The sale goes through and Sarah and Kate can now start thinking for the future. But what are their plans and what are they feeling?

*Kate isn't going to stop here: “First of all, I have a massive feeling of achievement, both personally and professionally. It has been an emotional rollercoaster, but so worth it. I have no intention of retiring, though. In time, I will probably go into consultancy myself and share what I have learned. It is fantastic to have the freedom to be able to do that.”*

*And for Sarah? “This is the culmination of my whole working life. Right from the start of my career, I have always felt that I could do better than the people I have worked for; and this feels like a vindication of that confidence I had in myself. And, of course, I have gained significant financial freedom. In the short term though, while I complete my withdrawal from the business, I want to ensure that I leave a legacy in the company for many years to come.”*



## Reflections on the journey

***Sarah reflects: "It is difficult to say with confidence that you would have done anything differently, because you may not have felt like you had a choice at the time. I could perhaps have spent some of my time more efficiently and been stronger, earlier, when dealing with employees' resistance to change. I would suggest to people working on an exit strategy that sometimes seemingly expensive advice is worth every penny. And look very closely at your broker team, how they charge and what constitutes a transaction value. It is essential to understand this and ensure it is favourable to you."***

***Kate exclaims: "I wish I knew Chris Spratling 15 years ago. Because if I had I would be sitting on a beach now. I have learned so much. But that aside, it's 'Numbers, numbers, numbers!'. It is all about scalability and numbers. How much do you want at the end of it all, and work backwards from that."***



## Quickfire Q&A

### 🦋 What is a priority for people looking to sell a business?

*Kate: Build and maximise the key drivers of value alongside your asset base. Always focus on the numbers.*

*Sarah: Recruit a great team of advisers including in the areas of legal and company secretarial*

### 🦋 Do you have any tips about working with coaches?

*Sarah: It can be really challenging to make the time, especially if you cannot fully appreciate the value at first. But when you understand the value, you will make the time.*

*Kate: Ensure you focus on the structure they provide to tick things off your to-do list*

### 🦋 What was the biggest impact Chalkhill Blue had in helping you to achieve your goals?

*Kate: It is hard to pick one thing, but the focus on profitability and paying ourselves was very important.*

*Sarah: Being the critical friend and guiding us through the difficult times. Just knowing that he'd been there and done that already.*

**If the above has peaked your interest, we'd love to explore how we can support you too.**

## 1. Book A Call

If you're serious about unlocking the potential of your business by accelerating your growth, scaling it or readying it for an eventual sale, don't delay what could be one of your most lucrative decisions.

Call our award winning business growth experts on 01793 239542 to discover how you too can achieve massive results in your business.



## 2. Drop Us A Message

If you'd like to find out bit more about the sorts of challenges we help business owners like you to overcome, drop us a message at [info@chalkhillblue.org](mailto:info@chalkhillblue.org)

## 3. Download our FREE e-book

Our latest e-book "Why So Many Businesses and Ambitious Entrepreneurs Fail to Unlock Their True Potential" is packed full of great advice to help you to navigate the challenges you'll face throughout your entrepreneurial journey.

Download your copy here: <https://forms.zohopublic.eu/chalkhillblue/form/DownloadOureBookToday1/formperma/3vrwo9-2evBuZFvmxA-MTq2vU-jxb6OHENAD9H8y0wk>

## 4. Take our FREE Milestone Survey

The survey will take no more than 3 minutes to complete and in return you will receive a bespoke 25+ page report explaining exactly what stage your business is currently at, and how you can take it to the next level.

Take the survey here: <https://chalkhillblue.org/milestone-survey/>

