

FREE GUIDE TO SELLING YOUR FM BUSINESS

# The FM Business Owner's Guide to a Successful Exit

Everything you need to know before selling your facilities management business. Written in plain English.

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## 1. Why Selling an FM Business Is Different

Selling a facilities management business is not like selling a retail shop or a consultancy. The value in an FM business is embedded in its contracts, its accredited workforce, its compliance infrastructure, and the depth of its client relationships. Buyers are not buying a product or a brand. They are buying a set of service commitments that will continue after the transaction completes.

Generic business brokers rarely understand the significance of ISO triple certification, TUPE staff transfers, hard FM versus soft FM multiples, or what SafeContractor and CHAS registration means to a buyer's procurement team. Getting the right specialist representation matters. The difference between a well-positioned FM sale and a poorly presented one is not just the price achieved; it is the quality and suitability of the buyer and the smoothness of the transition.

The UK facilities management market is worth approximately £120 billion annually. Our analysis identifies around 15,718 FM businesses with the profile and structure that makes them attractive acquisition targets. Buyer demand is strong, and the current period, with active PE consolidation and the Business Asset Disposal Relief deadline in April 2026, represents a particularly favourable environment for well-prepared sellers.

## 2. Understanding Your Business Value

FM businesses are typically valued on an EBITDA multiple basis. EBITDA stands for earnings before interest, tax, depreciation, and amortisation. It is the closest thing to a clean measure of the ongoing earning power of the business, stripped of financing and accounting decisions. For most FM businesses, the starting point is an adjusted EBITDA that normalises owner remuneration and any personal expenses run through the business.

The main factors that influence where your business sits in the valuation range:

- Hard FM versus soft FM revenue mix: hard FM (mechanical, electrical, plumbing, HVAC) commands higher multiples due to technical barriers and switching costs.
- Contract length and quality: multi-year contracts with public sector or blue-chip commercial clients provide predictable revenue buyers pay for.
- Accreditation portfolio: ISO 9001, 14001, 45001, IWFEM membership, SafeContractor, CHAS, Constructionline.
- Client diversification: no single client above 20-25% of revenue reduces concentration risk.
- Owner dependency: a business that runs without daily owner involvement is more valuable than one that does not.
- TUPE workforce: a qualified, accredited, stable workforce transfers directly and reduces operational risk for buyers.

Well-structured FM businesses typically achieve EBITDA multiples between 6 and 8 times. Businesses with exceptional contract quality, triple ISO certification, and demonstrably low owner dependency can achieve multiples at or above the upper end of that range.

### Indicative Valuation Range

<b>EBITDA Multiple Range:</b>	<b>6x to 8x adjusted EBITDA</b>
<b>UK FM Market Size:</b>	<b>£120bn annually</b>
<b>Exit-Ready FM Businesses Identified:</b>	<b>15,718</b>

### 3. What Buyers Look For

The buyers most active in the FM acquisition market fall into three main categories: private equity-backed consolidators building national platforms, trade acquirers (national FM groups expanding regional coverage), and management buyout teams. Each buyer type has slightly different priorities, but several factors are consistently valued across all of them.

What PE-backed platform buyers want:

- Multi-service bundled contracts with three or more years remaining.
- TUPE-ready workforce with current hard FM accreditations (Gas Safe, NICEIC, F-Gas, water hygiene).
- ISO triple certification: 9001, 14001, 45001.
- SafeContractor, CHAS, or Constructionline registration for public sector tendering.
- Diversified client base with public sector or institutional representation.
- Clean management accounts and documented compliance procedures.
- ESG credentials: ISO 14001, carbon reporting, supply chain assessment processes.

What trade acquirers want:

- Geographic coverage that fills a gap in their existing portfolio.
- Client relationships in sectors where they want to grow.
- Hard FM capability they can deploy across their existing contract base.
- A workforce that can be absorbed without immediate redundancy risk.

## 4. Valuation Methodology

The starting point for any FM business valuation is the adjusted EBITDA. This is calculated from the last three years of professionally prepared accounts. The buyer will want to verify this figure themselves during due diligence, so it is important that your accounts are clean and that any adjustments are clearly documented and defensible.

Common adjustments made to arrive at adjusted EBITDA:

- Owner's salary adjusted to market rate for a replacement manager.
- Personal expenses removed from the cost base (vehicle, mobile, travel).
- Non-recurring items removed (one-off legal costs, restructuring charges).
- Related-party transactions normalised to arm's length rates.

Once adjusted EBITDA is established, the buyer applies a multiple. The multiple is determined by the quality and durability of the earnings, the accreditation portfolio, the contract structure, and the level of competition for the business. A competitive sale process with multiple credible buyers consistently achieves higher multiples than a bilateral negotiation with a single party.

*Example: An FM business with £320,000 adjusted EBITDA, triple ISO certification, 70% multi-year contracts, and low owner dependency could achieve 6-7x EBITDA, representing a valuation range of £1,920,000 to £2,240,000.*

## 5. The Sale Process

A properly managed FM business sale takes approximately 90 to 120 days from the point of instruction to legal completion. The process is confidential throughout: buyers receive identifying information only after signing a non-disclosure agreement.

The key stages:

- Preparation: we prepare a detailed information memorandum covering financials, contracts, workforce, accreditations, and growth opportunity.
- Buyer identification: we approach our pre-qualified register of PE firms, trade acquirers, and MBO teams who match the profile.
- NDAs and information release: interested buyers sign NDAs before receiving the full information memorandum.
- Management meetings: qualified buyers meet the owner and management team.
- Indicative offers: buyers submit written indicative offers.
- Preferred buyer selection: seller chooses preferred buyer and enters exclusivity.
- Due diligence: buyer verifies financials, contracts, accreditations, and workforce.
- Heads of terms and legal: solicitors draft and agree the purchase agreement.
- Completion: legal completion, payment of consideration.

The competitive process is the most important element. A seller who enters exclusivity with a single buyer before testing the market has already given away significant negotiating advantage. Our role is to ensure that by the time you select a preferred buyer, you have seen what the full market is prepared to offer.

## 6. TUPE Explained

TUPE stands for the Transfer of Undertakings (Protection of Employment) Regulations 2006. When an FM business is sold, TUPE provides that employees transfer automatically to the buyer on their existing terms and conditions. The buyer cannot unilaterally change those terms simply because ownership has changed.

For FM business owners, TUPE is not something to be feared. In most cases, it is an asset. A qualified, accredited, long-serving workforce that transfers under TUPE represents real value to a buyer: Gas Safe engineers, NICEIC-registered electricians, and F-Gas certified engineers cannot be recruited and trained overnight. A buyer who inherits a stable, qualified team faces lower operational risk and is acquiring a business that can run from day one.

Preparation steps before sale:

- Compile a workforce schedule with roles, qualifications, renewal dates, and tenure.
- Ensure all accreditations are current (no lapsed certifications).
- Address any outstanding HR matters before going to market.
- Review contracts for change of control notification obligations.

## 7. Tax Considerations

The primary tax consideration for most FM business owners is Business Asset Disposal Relief (BADR), formerly known as Entrepreneurs' Relief. BADR provides a reduced Capital Gains Tax rate on qualifying business disposals up to a lifetime limit of £1 million.

Key facts about BADR:

- Qualifying conditions: you must have owned at least 5% of the company's ordinary shares for at least 2 years, and been an employee or officer for at least 2 years.
- Lifetime limit: £1 million of qualifying gains.
- CGT rate: 14% until 5 April 2026, rising to 18% from 6 April 2026.
- Above the £1m limit, standard CGT rates apply (currently 24% for higher rate taxpayers).

Worked examples:

<b>£500,000 gain at 14% (before April 2026):</b>	<b>Tax: £70,000</b>
<b>£500,000 gain at 18% (from April 2026):</b>	<b>Tax: £90,000</b>
<b>£1,000,000 gain at 14%:</b>	<b>Tax: £140,000</b>
<b>£1,000,000 gain at 18%:</b>	<b>Tax: £180,000</b>

Always take specialist tax advice from an accountant who has experience in business disposals. The total tax position depends on your personal circumstances, the deal structure, and how proceeds are distributed. The figures above are simplified illustrations only.

## 8. Preparation Checklist

Use this checklist as a guide. The earlier you start preparation, the better your outcome.

### 12 Months Before Sale

- Commission three years of professionally prepared, adjusted management accounts.
- Audit accreditation portfolio: renew any expiring ISO certificates, SafeContractor, CHAS, Constructionline.
- Compile workforce schedule with qualifications, tenure, and renewal dates.
- Address any outstanding HR matters (disciplinary, tribunal, unresolved disputes).
- Begin reducing owner dependency: introduce a contracts or operations manager into key client relationships.
- Review and document contract terms for all major clients.

### 6 Months Before Sale

- Prepare a client schedule: contract dates, annual values, renewal dates, relationship notes.
- Normalise owner remuneration to market rate in the accounts.
- Remove personal expenses from the business cost base.
- Identify and document any related-party transactions.
- Review change of control provisions in key client contracts.

### 3 Months Before Sale

- Instruct a specialist FM business broker and discuss timing.
- Confirm BADR eligibility with your accountant.
- Ensure all insurance policies are current and transferable.
- Prepare a brief ESG summary (environmental practices, workforce policies, supply chain).

## 9. About FM Business Sales

FM Business Sales is a specialist brokerage for UK facilities management business owners considering a sale. We are a division of Reads Advice Partners Ltd, run by Simon Read. Our focus is exclusively on the FM sector, which means we understand the sector's specific valuation drivers, know the active buyers, and can represent your business accurately to the people most likely to pay the right price for it.

How we work:

- Free, confidential initial valuation: no obligation, no pressure, completely off the record until you decide to proceed.
- Specialist information memorandum: we prepare a document that presents your business accurately to FM sector buyers.
- Pre-qualified buyer register: we approach buyers who have already signed general NDAs with us.
- Competitive process: we run a structured process to ensure you see what the full market will pay.
- No upfront fees: the buyer pays all fees. There are no charges to the seller at any stage.
- Typical process: 90-120 days from instruction to completion.

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