

## Notes on selling your business

- In order to get the most for your company you should think about the process several years in advance to maximise value. Be prepared and ensure your accounts are in order.
- Study every part of your business from the perspective of a potential buyer.
- Look at your company for flaws you would criticise in your competitors. Your accounts, brand, operation and business plan should be reviewed. This will ensure that the first impression of a potential buyer is a good one.
- Make sure you have up-to-date accounts and cash flow statements and that if there are any anomalies they can be easily explained. Prepare adjusted trading accounts to highlight the true underlying situation and explain the anomalies. Accounts produced for selling agents are often extracts of the main accounts and are subject to the exclusion of certain expenses of a personal or confidential nature such as family wages, bank charges, accountancy fees, repairs, interest, depreciation etc.
- A buyer will need to establish how much profit will have to be reinvested in the business to cover future capital expenditure and working capital.
- Have a business plan that forecasts future turnover and profitability – hopefully positive – demonstrating the potential of your business e.g. how added financial support could fast track growth
- When preparing for sale it is also sensible to cut any excessive expenses and so increase profits.
- A business is only worth what a buyer is prepared to pay for it, so identifying the right buyer is crucial to getting the best price.
- Don't feel obliged to stick with the first agent /adviser you meet – it's important to find a partner that understands the business and can help to develop an appropriate exit strategy that will enhance value through effective preparation and presentation. Try to find out who is successful and active in your marketplace.
- When you start receiving bids, don't feel pressured to accept the first offer that comes through the door.
- Until you finalise the deal, it must be business as usual for staff, customers and suppliers. Any uncertainty can damage business relations and the damage caused by concentrating on a sale can eventually drive the price down. You must stay focused on the business.
- Get your skeletons out of the closet early and don't think you can pull wool over people's eyes. As the proposed sale window approaches, review every facet of the business and address any problems that could occur during the sale process or could devalue the business, whether legal, accounting, tax or environmental issues. No-one will want to acquire a business with an outstanding VAT enquiry or employment tribunal issue - or at least they will want a price reduction.

- Be clear with regards to the management team: who is staying with the business, what continuity can be achieved? A business that is heavily dependent on one person, product or customer may be difficult to sell. If the business is seen to revolve around the business owner, it makes the business less attractive and less valuable. A strong management team supported by a strong brand and reputation shows a strength which is attractive to potential buyers.
- Historic accounting facts are important but the keys to the sale price are current profitability, future earnings and potential risks arising from change of ownership, for example loss of customers. A business that relies on a few customers can be considered high risk and therefore less valuable. Spend time improving profitability, minimising risk and working on future earnings forecasts.
- When preparing for sale, remember to look closely at business ownership. Sellers assume that they will have to pay a rate of capital gains tax of 10 per cent, as entrepreneur's relief will apply. However, remember that shares in trading companies can be compromised for entrepreneur's relief purposes by substantial non-trading activities such as owning investment properties or active management of surplus cash. As part of the review, keep an eye on non-trading activities that may need to be stripped out of the business before marketing.
- The most important part of selling a business is patience as selling takes time. It is important for the owner to continue to operate the business as if it was not for sale, as well as to understand that businesses do not sell overnight and many deals fall through. The more prepared your business is for sale, generally, the faster it will sell.
- Many owners put in decades of hard work building their business, only to throw away some of the rewards by failing to consider the sale process properly.

Above all, get the right advice as early as possible, as individual circumstances can impact on many areas during the process.

*We've been looking after small businesses (from start ups to £3 million turnover) for more than twenty years and have clients who have been with us throughout.*

***Please call or email to make an appointment – NO OBLIGATION OR CHARGE – to discuss your own situation and to see how we might help.***