

# Preparing your business for sale

Deciding when the time is right to sell your business is a big decision.

This guide will help you decide what is best for you and your business. In the first instance, you need to ask yourself a few basic questions:

1. What are your objectives? What is driving this decision? Family, health, retirement and/or finances may all be playing a role but you need to be sure of your motives.
2. Do you want to retain an involvement with the business? Think about whether you want to retire fully, pursue other interests or maintain a role in the business.
3. What does the business need? Be clear about the future needs and potential of the business. You'll need to explain your views to interested buyers.
4. Who are the key people? Establish who might be affected by a sale and consider their future role. This may include staff, managers, key customers, suppliers and any other shareholders.

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## The do's and the don'ts

If you're looking for the best price possible for your business then you need to make sure it is in top condition. There are some basic do's and don'ts when preparing your business for sale:

1. Due diligence is an essential process for prospective buyers so take the time necessary to collate all information, making sure that your documentation is comprehensive and clear.
2. Bring your 'housekeeping' up to date. This includes HR, contracts, IPR and finance. This is time well spent even if a sale falls through.
3. Be up front about any issues or likely problems. Neither you nor the buyer want any nasty surprises!
4. Choose advisers that you trust and respect and who have substantial experience of managing corporate transactions; the deal will progress more smoothly.
5. Don't neglect the day-to-day running of the business. The business is the priority.
6. Don't assume that the deal is done before you complete.

## Consider your options

What is your most likely exit route? Leaving aside flotation, most are looking at a trade sale or management buyout. And the first piece of advice is, keep an open mind! You may be assuming a trade sale is the only way, but why not discuss a management buyout (MBO) with your senior people – and get some advice about how it might be funded and structured. It may open up possibilities for a successful exit that you didn't think existed.

## Spring clean...

You then need to do a legal and financial spring clean:

- Check contracts are in place with key customers and suppliers.
- Check ownership of bespoke IT.
- Security of tenure on premises.
- Robustness of staff contracts including restrictive covenants for key customer-facing staff and all aspects of legal compliance.
- Work with your finance manager and your external accountant to ensure your reporting is robust with good quality monthly management accounts and regular cash flow forecasts. This will be of help regardless of any sale process.

## Contact us

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### Focus on your people

You need good people in place in the four key areas: operations, commercial, sales and finance. If an MBO is a possibility, identify the person who will take the role of chief executive / managing director. Think about management training for the most promising people.

Get this right and you will minimise the risk of the sale foundering at the due diligence stage and reduce the chances of facing unwanted warranty or indemnity claims after the sale has been completed.

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## Contact our Business Team



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