Blue Sky Corporate Finance

Selling a Business: Ten Top Tips

Blue Sky Corporate Finance appreciates that when you are considering the sale of your company, no matter how large or small, achieving the best possible terms is your primary concern.

Selling a business can be a complicated process and not one you should consider without taking professional help and advice. Contact Blue Sky to see how we can help you.

Ten Top Tips we would recommend you undertake when considering selling your business:

Preparing the Business for Sale - By preparing your business for sale in advance, you minimise the disruption during the sales process and potentially achieve a much higher price. As a minimum, financial information should be clear, accurate and up to date. Non-core activities and assets should also be closed or disposed of. Commercial documents such as employment contracts should be up to date.

Market the Business for Sale Effectively - The sales memorandum is the initial marketing document you use to gain interest in your business. The sales memorandum provides potential purchasers with basic information about the company and what the sale might include and should be truthful while presenting the business as positively as possible. You should highlight any opportunities for growth or profit improvement. The aim is to interest potential purchasers, so that they want to know more.

Failure to Research the Buyer - Don't be afraid to ask for financial information or do background credit and company checks on potential buyers. By undertaking these preliminary due diligence checks you can avoid wasting significant amounts of time, money and effort on time wasters.

Inadequate Tax Planning - It is very important from the outset to know what the tax consequences of a sale will be. Tax Planning at the time of a corporate finance transaction is nothing short of essential. There are many tax rules and regulations associated with selling a business which can make a fundamental difference financially to both the business and personally.

Retaining Key Staff - Look closely at your management team/key staff and ensure that they are in a position where they are capable of moving forward with the business. A purchaser may not necessarily want to draft in a new management structure. A degree of sensitivity is needed when communicating your plans to employees, otherwise you run the risk of losing key staff members if they feel their jobs are in jeopardy.

Manage the Business - Selling a business can be a complex and time consuming process. Don't let your business performance decline- because you're too focused on the sale. This will only give buyers additional negotiating power to lower their offers.

Impatience - Be patient and do not accept the first offer made. Impatience is a common mistake made when selling a business. Even if you are under pressure to sell, ensure you have explored all the options to determine whether or not you are getting a fair price for your business.

Realistic Expectations - While you want to realise as much as possible from the sale of your business, any expected value must be realistic. Appointing a professional advisor to assist with this process is advisable as they will suggest a fair price based on the current industry and economic climate. You will only sell the business once, so do your research, but remember ultimately a business is only worth what somebody is willing to pay for it.

Inappropriate warranties or indemnities - Warranties and indemnities are contractual assurances that apportion risk and liability between the seller and the buyer. It is vital that expert advice is sort and appropriate warranties and indemnities are negotiated to ensure you are protected.

Seek Professional Help - Seek out advice from professionals who are experienced in the sale of other businesses. Selling is a complicated process and not one that you should undertake without expert assistance.

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