

## a successful sale

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### Selling your business: planning the sale

Selling your business can be a highly rewarding but also a very stressful process. In our experience there are a number of key planning points to address to achieve a "successful sale" i.e., one where rewards are maximised and stress is minimised.

These key points are:

- Are the owners / shareholders clear on what they want to get out of the sale?
- Are the conditions right in the marketplace?
- Do the owners / shareholders have a realistic view of the value of the business?
- Do the purchasers have the cash resources to complete the purchase?
- Is the business sale targeted at the 'right' prospective purchasers?
- Is the company profitable with good prospects (or, if not, can you explain the reasons why)?
- Is there adequate management information available?
- Are the employees and management team capable of driving the business forwards?

This fact sheet will give you an insight into the sales process and expands on some of the points above.

### Your objectives

The most important step in selling your business is thinking about what you want to get out of the transaction. Are you selling because you think that you'll get the best price for your business at this time, because there's another opportunity you'd like to pursue, because you're thinking of retirement or for a less positive reason? Each option will impact on your sales route in terms of whether you want to maximise the selling price, whether you're prepared to accept a discounted offer to achieve a quick sale and so on.

### Proceeds (and the benefits of tax advice)

Once you have thought about how much you would be prepared to accept for the business you should also consider what form of payment you would be happy with. Deferred consideration obviously increases your exposure to risk and so you should contemplate whether you are comfortable with this.

In looking at 'proceeds', we find it good practice to get the Vendor to look at 'post tax receipts'. Good tax advice is essential at an early stage to outline for example the difference to the Vendor of 'asset sale' against 'share sale'. Also, significant capital gains tax reliefs are potentially available to defer and/or mitigate tax payable.

## the end game

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### Valuation

Once you have decided to sell your business it is important to get some idea of how much it is likely to be worth. Any business is only worth what someone is prepared to pay for it, but a formal valuation report will give you a starting point for future negotiation.

### Making the business attractive

Put yourself in the shoes of a prospective buyer - what would you think if you were contemplating buying the business? What would you want to see?

Key points to consider are the strength of the management team (potentially without you!) and the robustness of the financials. Other areas to focus on may also include the integrity of any contracts and, if relevant, the ownership of any Intellectual Property Rights. You will know the issues specifically relevant to your business.

### Who will you sell to?

There are a number of methods used to pass on ownership of a business and professional firms frequently refer to these using acronyms. Common terms are:

- Trade sale - the business is sold to another company / business operating in the same or a similar market
- Management Buy-Out (MBO) - the business is sold to the existing management team
- Management Buy-In (MBI) - the business is purchased by a person / group of people who do not have any previous involvement with the business
- Institutional Buy-Out (IBO) - the business is sold to a venture capital group

We find that a Owner/ Manager of an SME will sometimes be the best placed to identify a potential buyer for their business by a Trade Sale- through knowledge of their sector and specifically 'inside information' as to who is interested in expanding their geographical coverage and /or product range or has already embarked on a strategy of consolidation (vertical or horizontal).

### Active participation from you in the process

The sale process can take significant time to complete, will take up your time, may feel 'intrusive' and, particularly if they are new to your business, the purchaser may want you to stay involved for a period, perhaps on a consultancy basis, to ensure a smooth handover. Whilst good advisors will reduce the level of your involvement, you will still have to be ready to invest time - and remain focused on the 'end game'.

### What can we do to help you?

We can work with you on most of the aspects of planning the sale (and seeing it through to completion), specifically:

- Clarifying your objectives
- Valuing the business
- Tax planning
- Managing the sales process

In addition, we can not overemphasise the benefits of engaging with Corporate Solicitors with expertise in 'buying and selling businesses' and of engaging with them early in the process. We can put forward names of firms and individuals who we have worked with.

If you would like to discuss any issues raised in this guidance note, please contact:

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