

Business Success Series

How to Sell Your Business and get Maximum Value

What you need to know

If your exit strategy is to sell your business, early planning is vital to ensure you obtain the maximum value.

Valuation

It is often said that your business is only worth what someone will pay for it. Indeed, there are some parts of the business that have a clear value for buyers, but there are also intangible assets and areas that you can maximise to increase the value of your business. Consider:

1. Your buyer
2. The performance of publicly listed companies
3. Your customer base - how valuable is it?
4. The perception of risk associated to your business
5. Whether you have a sustainable income
6. Utilisation of reliable systems and processes
7. Efficient employees
8. Strategic long-term plans
9. Utilising the latest technology
10. Owning a unique market

Your Buyer

Typically, there are two types of buyers. Firstly, those looking to grow through acquisition as part of their own exit plans. These often have mid-long-term growth plans and want to see a return typically in three years. Secondly, those looking at a 'buy and build' strategy with a view to grow their business and get listed. These companies want to see a return as soon as possible.

It is important you understand your buyer as this will determine your perceived value and what you should focus on to prepare your business for sale. Ultimately, you need to show that your business achieves continual growth or has the potential to achieve continual growth. Waiting until your business plateaus will reduce the value.

Conclusion

There are many factors that can influence the value of your business; over the page we discuss just a few. This document is here to guide and give you a focus, make sure you plan well ahead of your sale. Focusing on these areas will improve your business, whether you decide to sell or not.

If you are considering selling your business and want to ensure you obtain the best possible value, contact Lee Manning at lee.manning@raffingers.co.uk.

Make your business more attractive

Reduce Owner Dependence

You need to show that the business can survive without you. Therefore, build a strong management team that can manage key business relationships, and can continue to grow the business under new ownership.

Skilled Employees

Skilled and motivated employees are a key asset. Buyers want to see employees that are committed to your business and can demonstrate consistent performance.

Diverse Customer Base

Businesses are deemed more attractive and of a reduced risk if they have a diverse customer base and are not reliant on a few customers for their revenue.

Reliable Forecasts

When selling you will need to produce three years' accounts and a forecast for the current and following year. You must be able to substantiate your forecasts and produce management accounts that show your forecasts are achievable.

Cash is King

A good cash flow will make your business appear valuable. However, to achieve this do not suddenly cut costs to maximise profitability (such as internal recruitment, marketing, reducing expenditure). Any short-term changes will be spotted and may affect your credibility.

Specialise

Businesses that specialise are sometimes more valuable because they provide 'bolt-on' opportunities for Buyers and offer an affordable entry route into a new/ key market. Therefore, make sure you demonstrate and make clear your business' specialisms.

Have a Strong Brand

A recognisable brand and a good reputation will make you attractive to Buyers. Make sure your marketing demonstrates your culture. Also, trademark your logo to protect it.

Documented Processes

Having robust processes that are well documented demonstrate that you are running an efficient business, which will help during the due diligence.

Compliance

Buyers will review your compliance procedures. Not being compliant can make your business unsaleable and appear as a risky investment.

Potential for Growth

As well as showing the strengths of your business, you should also highlight potential areas for growth. Businesses are more attractive when investors can see the potential. If you are near the peak - investors may believe there is no further room for growth.

Technologically Advanced

Are your systems and processes cumbersome or inefficient? Consider using technology to streamline and make your internal processes more efficient. Outdated systems that Buyers need to invest in to improve may make your business appear less attractive.

Company Structure

Is your business structured in the most efficient way? Review your corporate structure and remove unnecessary corporate governance expenditure, identify tax benefits, and reduce the amount of time senior management spend on unnecessary entities.