



The Bigger Picture



It's been a very steep learning curve but an interesting journey and I've learnt a lot from it. I would advise anyone thinking of selling their business to be prepared to work very hard and to be actively involved in all the legal and accounting aspects of the sale. No-one knows your business like you do so ultimately it's down to you to provide your advisers with the correct information that they need to best act for you."

- Former business owner

THE FIRST THREE THINGS YOU SHOULD THINK ABOUT IF...

you're preparing a business for sale

Crystallise your personal and business aspirations and plan ahead . . .

It's important to be clear about your reasons for selling and what you want to get out of any sale. For example, do you want to sell by a certain date, what price do you want to achieve, what payment terms would you be willing to consider and have you weighed up the various personal tax implications? Would you be willing to stay on in the business and help run it and if so, for how long? And what about your employees? Do you need a strategy to safeguard jobs and tie key people into the business?

Consider how to present your business in the best possible light . . .

Make sure you can demonstrate and prove a good solid financial record to potential buyers. They will also want to see that you have robust systems in place, that these are working well and that every aspect of the business is under control. Information needs to be readily available and accurate. Try to minimise a potential buyer's risks, for example by turning informal arrangements with customers and suppliers into formal contracts. Check that any premises, equipment and stock are well maintained and professionally presented.

Develop a strategy for reaching out and talking to potential buyers . . .

To market your business effectively, you will need to identify potential buyers. They might be competitors, suppliers, customers, your own management team and investors. Consider instructing a corporate finance adviser to help you groom the business, identify buyers and prepare a sales memorandum. Make a list of key targets and decide whether to approach them directly or through an intermediary. Ask potential buyers to sign a confidentiality agreement before you begin discussions. Be prepared to look at different payment options and weigh up a good offer against a properly financed offer. Ultimately, it's all in the planning.

we need to talk about...

Preparing a business for sale - and getting the best value

Selling a business which you have spent years building can be a difficult and emotional task not to mention time consuming. However with the right support and guidance, it's a worthwhile and enriching journey. David Cavaliero, a partner in the corporate team at Bath law firm Withy King, advises on the best way to approach an exit.

Ideally, and where possible, business owners and directors should think about the potential sale of their business several years before they decide to start the process because forward planning will definitely help to achieve the maximum value. There is no hard and fast rule about the optimum time to sell but it will be heavily influenced by market conditions.

This year, we have seen a growing appetite for deals in Bath and surrounding areas with many businesses looking to grow their market share through acquisition. However, many deals are still taking a long time to complete, partly because it is a buyers' market and partly because finance remains challenging.

Management buy-outs are popular. These are usually done on an earn-out basis as this is often the only way the management team can finance the purchase. If you are considering selling your business in this way, it's essential that you take the necessary steps to protect yourself from risk during the earn-out period and structure the deal so that you can realise your money as quickly as possible. Many business owners get stuck on the headline price, but what really matters is what you will walk away with in your pocket once the deal has been done, and this requires careful financial planning from the outset. Business owners need to be confident that what they will earn from the sale will be enough to enable them to

achieve their aims, be that retirement or funding their next venture.

Another key consideration is people. It's important that business owners inform their staff about their plans as soon as it is appropriate to do so and keep updating them throughout the process. For most businesses, the people they employ are their main asset, so it is wise to keep staff engaged and feeling positive about the future.

The two main employment law considerations when businesses are being sold are The Transfer of Undertakings (Protection of Employment) Regulations (TUPE), and redundancies. TUPE protects the employees of the business being sold and enables them to transfer on their existing terms and conditions to the buyer, who will be their new employer. Before the sale completes, both the seller and the buyer should enter into a period of information and consultation with representatives of the workforce about the proposed transfer and any changes which may take place. If there is some overlap in jobs and redundancies have to be considered, it is imperative that they are carried out fairly, and proper consideration must be given to how employees might be selected and whether there are any

alternatives. The selection and scoring of employees in a redundancy exercise before or after a business sale is particularly complex as it is generally difficult to identify an independent scorer when two businesses are merged into one.

There are many different and often conflicting issues to consider but perhaps one of the most important aspects of selling a business is patience. It takes time to achieve the desired result and the best advice is to continue to run the business as if it was not for sale. A business will not sell overnight but the more prepared the shareholders are, the faster they will achieve their end goal.



David Cavaliero is head of the corporate team at Withy King in Bath. For advice on preparing your business for sale or other issues, please contact David on 01225 730100 or email david.cavaliero@withyking.co.uk