

Thinking of selling your business?

The best way to prepare for the sale of your business is to be well informed: this will allow you to take the necessary steps to get the highest possible sale price for your business. With this in mind, our experienced solicitors have compiled an overview of the key points to consider when preparing to sell your business.

Get the best sale price

The first thing to bear in mind if you're thinking of exiting your business is that focusing too much on your exit may negatively impact your business's value, as it can distract you, your management team, and your employees.

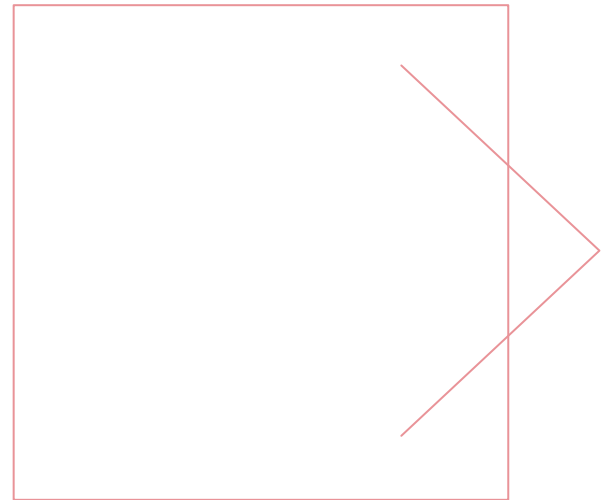
To plan an effective exit strategy and get a high sale price, you must focus on boosting the value of your business. This may mean diversifying your customer base and marketing tactics, or finding creative ways of generating more income, but the key is to do whatever it takes to maximise your business's value drivers.

Similarly, assets such as your business premises and equipment should be improved upon as much as possible or replaced if needed. This will automatically augment your business's worth and attract a higher calibre of buyers.

Deciding on the right type of deal

When thinking of selling your business, it's essential to have a thorough understanding of the different deal options available to you. Along with asset sales and share sales, there's also the option of auction sales, as well as earn-out, deferred payment and stock options.

The best sale route will depend on a number of financial factors, such as your personal tax



circumstances, and on emotional factors. Be sure to engage an experienced solicitor and financial advisor with specialist knowledge of your sector to get the right guidance.

Importantly, you must remember to consider your business's value from the buyer's point of view when negotiating a sale. The sale and purchase agreement should be mutually satisfactory to both the buyer and seller, so every effort should be made by both parties' solicitors to establish a deal that meets both set of expectations and needs.

Know your business's true value

Be sure to engage a business appraiser to determine the value of your business based on various valuation methods rather than relying on 'fair value', which is often used in due diligence proceedings. If you're not satisfied with the valuation, or think your business hasn't achieved its peak market value, then consider keeping the business and growing it further before selling.

Prepare your paperwork and finances

It is important to get all your business's financial and administrative paperwork in order well before starting negotiations for the sale and purchase agreement. In terms of taxes, your accountant should help you plan an appropriate tax strategy depending on the type of sale you are pursuing. Any items that a prospective buyer would not want to pay for (such as salaries for non-working family members or personal insurance policies) should be eliminated from your company's expenses, and all books should be meticulously

reviewed before submitting to a prospective buyer.

As a buyer will need to see all your business's administrative paperwork as well when conducting due diligence, ensure that you have gathered and reviewed all contracts, insurance policies, and any documents pertaining to grievances or litigation against the business.

Decide whether to stay or go

Since cash deals are fairly rare, you may be faced with choosing between a deferred payment structure linked to ongoing trading performance, or a combined offer of earn-out, cash and stock options, among various other scenarios requiring you to continue running the business in some fashion. It is consequently recommended that before undertaking sale negotiations, you consider how much involvement you are willing to maintain with the business operations, and in what capacity.

Get the right guidance

Selling any business requires industry-specific expertise from experienced legal and financial teams. Hiring specialist advisors will save you time, hassle and money while improving your chances of getting the best possible sale price for the business you've built.

For more information, or for expert advice on business or personal legal issues, call us on +44 (0)20 3475 6751 or via email at info@carterbond.co.uk

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Martin Norwood, The Arts Depot Trust Limited

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