

The devil's in the detail as the old adage goes – and never more so than when you are looking to sell a business, says HWB managing director, Alan Williams!

Groom with a view...



Alan Williams, managing director with independent accountancy firm HWB

It is of course, possible to sell a business with little notice. But the best way to achieve the highest price, experience the least obstacles and secure the brightest future is to turn to the detail and plan for a sale in the future – even as far as five to ten years from the point when you begin to groom the business for disposal.

With so many complex legal and financial issues to be taken into consideration, grooming a business for sale is an imperative. It ensures that it is as attractive to potential purchasers as it can be.

With more than 1000 clients, the 60 strong team at HWB has taken many owner managers through the pain – and gain – of a business sale. They say divorce and house moves are the most stressful life challenges – but selling a business which may have taken years of dedication to build – must come a very close second.

With this in mind you need an adviser who is not only competent and technically sound; but one who is also strategic and commercial. Together you form a partnership, which is the way we work at HWB, helping our clients to achieve their objectives. That means the chemistry has to be right and you have to work closely so that the grooming process can be a team effort with your long term objectives clearly in sight.

Grooming is, of course, partly cosmetic, but there are a host of deeper issues which may need to be addressed too. These range from staff and taxation issues to legal and, of course, financial ones as well.

Follow the Finances:

The financial status of the business will need to be reviewed thoroughly with your adviser – this will be a frank and candid exchange of views, concerns and opportunities – remember they are an ally.

Any parts of the business that are not part of the planned sale need to be separated clearly and be highly visible.

Together with your adviser you will need to tick all the compliance boxes at an early stage and ensure your accounting policies are not materially

different to other companies in your industry.

Keep details of exceptional/non-recurring expenditure as they occur to assist in the calculation of true earnings for the business. Also demonstrate close control over the balance sheets on a long term basis.

Set realistic budgets to ensure you can demonstrate that you consistently meet them and establish a prompt and reliable management reporting system.

Reduce gearing. Sell off surplus assets and consider whether any key capital expenditure is necessary by way of an investment. Consider how best to treat property - should it be sold off prior to sale or offered as part of the company disposal.

Tax specialists will need to take a close look at the business to ensure it is maximising its tax

position.

People First:

People are an enormous asset to any organisation – often the biggest, and they need to be tied to the business – legally, financially and also in terms of their loyalty.

Every business needs to be bigger than its leader and succession planning should be at the forefront of your thinking – that may be with an existing member of the team stepping up, a strategic appointment or a handover period with some form of consultancy. Carefully let your team fly solo whenever possible – a hugely important factor in reducing staffs dependency if you've been a hands on manager in the past.

It might also be worth

considering a share incentive scheme to encourage the management team to help with the sale process and keep staff motivated.

Dot the I's and Cross the T's:

The business needs to be legally as tidy as possible – your accountant will have contacts with law firms who are best suited to the demands of a sale.

Ensure all contracts are legally binding and that they are transferable. To guarantee this, it is vital that trading, employment, agency and other agreements relating to key relationships are all properly formalised - and that any outstanding litigation is settled.

Look at the intellectual property rights of the business and ensure that all patents and trademarks are properly registered.

It is also a good idea to discover well in advance if there are any dissenting shareholders since a purchaser will want to buy 100 %, not 99%!

First Impressions Count:

It sounds a bit like teaching grandmother how to suck eggs – but the aesthetic parts of grooming are often overlooked!

Look afresh at your processes and premises. Offices need to be tidy and organised and corporate brochures and other material should look smart and professional.

In the same way you might lick paint over your house before you sell, take a critical look at every aspect of the operation of your business – both literally and metaphorically speaking – and give it all the proverbial coat of magnolia! You need to be making a statement – that this is a professional, valued and thriving business.

A March on the Market:

Make sure your business stands out from the crowd as much as possible to ensure you are maximising your market. Differentiate yourself from your competitors and build your profile. Generate good news about the company. It may be worth looking into a concerted and strategic public relations campaign to raise the company's profile and position your proposed successor.

The Harsh Glare of Due Diligence:

Throughout the grooming process, remember that when preparing a business for sale any weaknesses or loose ends will be exposed during the period of harsh scrutiny by the purchaser's advisers in a process known as due diligence.

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