

Selling a business

Selling a business can be a difficult process. Whether you are selling a business which you have built up through many years of hard work, or looking to concentrate on core activities, it is likely that the sale process will involve much emotional energy. Many business owners are not experienced at valuing businesses, identifying purchasers or negotiating a deal through to a successful conclusion. Marketing the business discreetly, identifying realistic purchasers and negotiating the deal need skill and experience.

What is the business worth?

There is no laid down formula to calculate how much your business is worth. The strength of the balance sheet and profit and loss account will be important, but essentially a prospective buyer will be most interested in the future opportunities for the business and how it will fit into their own strategic plan. Ultimately your business is worth what a purchaser is willing to pay for it.

Is my business saleable?

The vast majority of businesses can be sold. Even if the business is not performing well, it is likely that there is a purchaser who will buy it, assuming that a price can be agreed. A process of consolidation with a particular industry or strong future prospects could be more important than present finances. The key issue will often be whether you can sell at a price that you feel comfortable with. If this is not achievable, you will need to decide whether you can wait and look to sell the business at a later date.

How will I select potential buyers to approach?

Within a particular industry it is useful to have a network of contacts who you can approach without it becoming common knowledge to your competitors that your business is for sale. Selecting and approaching a limited number of the most appropriate potential buyers often improves the probability of a successful sale at an acceptable valuation. Your adviser should work with you to pool both your knowledge of the sector and your adviser's experience in identifying less obvious buyers.

How do I approach buyers but also maintain confidentiality?

A common concern of many vendors is the possibility that customers and employees will discover that the business is for sale. If they find out there is a real risk that you will suffer as a result. Therefore it is vital that you maintain confidentiality. One solution is to ask a skilled adviser to approach potential purchasers without disclosing details until it is clear they have a genuine interest in buying the business.

How much information should I give to potential buyers?

The best approach is to drip feed information. At an early stage you will need to disclose sufficient information to interest potential buyers, but not so much information that you give your identity away. You should not release information about customers, pricing or other sensitive information until you are sure the buyer is serious. At that stage you will need to make sure that you have an appropriate confidentiality agreement so that the information cannot be misused.

How do I know that the purchasers will be able to afford to buy my business?

It is likely that you will need to go a reasonable way down the track before you can be sure that the buyer has the funds in place. The most appropriate way to do this is to carry out due diligence on your buyer. This might mean researching the company accounts and taking references from their bank.

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How will the negotiations proceed?

Many business owners have little experience of negotiating a business sale, and each transaction is likely to have particular complexities such as pricing, method of payment and whether any consideration is to be performance related. It is likely that you will need specialist advisers to help you in the process.

Is it likely that the price will be linked to future performance?

In some industries it is common for sales to be linked to future performance, particularly where the vendor has a critical role to play post sale. If payments are linked to future performance it is likely that the eventual price will be higher. However this may not sit well with your own personal aspirations, which may be to make a clean break from the business. Performance related consideration is subject to complex tax treatment and specialist advice from a transactional tax adviser is advisable. It can be difficult to sell the business and continue to work in it while it is being run by somebody else.

Do I need specialist advisers?

Negotiating a potential sale is a complicated business and it is important that you have specialist advisers such as solicitors and accountants.

How we can help

James Cowper's corporate finance team can help you decide whether now is the right time to sell your business. We can give you an indicative valuation and talk you through the various alternatives available. If you decide to pursue a sale, we can help guide you through the whole process, from the search for acquirers through to the completion of the deal.

For further information about James Cowper and how we may be able to assist you, visit www.jamescowper.co.uk

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