

Ready, set...let go! Six steps to selling your business

Management issue paper

You may decide it's time to sell your business for many reasons – upcoming retirement, the need for financial resources for new opportunities, business growth may exceed manageability, new synergies may be needed with a complementary business. Whatever the reasons, you should follow these steps for a successful sale.

Plan for success

Ideally, planning for a sale of your business should begin well in advance. You need to develop a strategy that will be based on why you are selling, what you are selling, and what your priorities are from the sale. This strategy should include adjustments you can make to your business now that will increase its value to potential purchasers, identify the best time to sell, what arrangements would be needed with suppliers and customers, employees and real estate commitments. Developing this strategy will help you understand the strengths and weaknesses of your business, groom your business for sale and make sure you can maintain “business as usual” during the long sales process. An important part of this planning process is to bring in an experienced adviser like the professionals at Grant Thornton LLP who know the ins and outs of selling a business

and have contacts for locating potential buyers.

Get the best price

Timing and market conditions will affect the price you get for your business. In addition, finding a strategic buyer – a buyer who can leverage the strengths of your business with another operation perhaps – will usually give you a greater return than a buyer who plans to keep the business running at status quo. Bringing in a chartered business valuator from Grant Thornton LLP to give an independent appraisal of the value of the business is also a smart move to establish its fair value so you don't under price it.

Prepare an information memorandum

This is an overview of your business that will be used for marketing your business to potential buyers. Generic information is given at first - detailed particulars are provided only after a potential buyer has been pre-qualified as a serious would-be purchaser and he or she signs a confidentiality agreement.

Find a buyer

Identifying potential purchasers that have a good strategic fit with your business is usually achieved through a combination of confidential research and developing a list of purchasers who are active in the market. The adviser you select to guide you through the sale should have the resources to tackle this aspect of the process for you. At Grant Thornton LLP, one of the resources we can draw upon to target potential buyers for your business is our Business Buy and Sell e-tool, which brings the reach of the Internet into the search process. Once appropriate targets are identified, your adviser will approach them confidentially, keeping the name of the company out of initial discussions to avoid harm to your ongoing business.

Negotiate the deal

The terms you and the buyer agree to will affect the actual price you will receive for your business. Obviously you should negotiate the terms that give you the best deal – should you sell assets or shares in the business? How much of the price do you want at closing? Will there be installment payments? How involved (if at all) will you be after the sale? Your adviser should be there to represent you during the negotiating phase. This will help you stay focused on the issues, keep the negotiations on a professional level and help you get the terms you need to meet your desired outcome. Then there is the all-important issue of your own tax position and how to minimize the amount of tax you pay. Specialist tax advice is essential and can significantly enhance the amount of your net proceeds.

Finalize the deal

The watchword here is “quickly.” Once you locate a buyer and come to agreement on major terms and price, it is best to move quickly to actually close the deal. Remember, your business is not really sold until the paperwork is signed. You will receive a “Letter of Intent” from the buyer that outlines all you’ve formally agreed to along with any good faith deposit agreed to. Due diligence is then conducted on both sides to be sure everything is as represented during the negotiations. Finally a purchase and sale agreement is drafted, signed and payment is received.

The sales process is a long one. It pays to get started on the planning of any sale well in advance of the time you want to sell. And it pays to have the right adviser beside you every step of the way. Remember, you probably will sell just one business during your career: an experienced Grant Thornton adviser has been through the process many times and can steer you clear of any pitfalls.

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