Plan to sell your business

For some entrepreneurs, selling their business could be the largest transaction they ever undertake. Equally, it could be the first (and only) time they undertake such a deal. Planning and preparation is therefore vital.

What do you need to prepare?

First, compile detailed information on the following:

- Your personal objectives in regards to the sale
- Your ideal purchaser
- The company's:
  - History
  - Differentiators
  - Strengths and weaknesses
  - Finances (last three years, minimum)
  - Staffing
  - Products and services (including how they provide value to customers)
  - Sales and marketing (what you're currently doing)
  - Systems, branding, intangible assets

Then, with this information, create a short prospectus. Why short? Many businesses create lengthy sales memoranda that are far too detailed and boring – and therefore easily ignored. The goal is to give enough information to entice potential buyers to generate an enquiry and request a meeting.

Think of it like a product brochure. What would interest you? The short prospectus should focus on these things:

- Company activity
- Products/services value to customers
- Competitive advantages
- Shareholding/ownership
- Sales and marketing
- Key staff (including why they are key)
- Potential for growth
- Benefits of acquisition to the buyer
- Brief financial overview

Remember, keep it short, to keep the attention of the prospective buyer. This is a sales tool, not a statutory compliance form.

As discussed, nobody buys a company for its past performance. Future potential is what matters, so create a business plan that illustrates the potential of the company – how it could look over the next three years under a new owner. Your plan should include new acquirer investment and new clients from the acquirer (along with your existing products and services). You need to help buyers visualise the future asset.

As more business goes online there are specifics that acquirers look for that aren't part of traditional business valuations. Specialist factors such as the following could be required, depending on the nature of the business:

- How stable is the earning power, eg, is the cost per thousand impressions (number of times the product page is viewed) in this niche on the decline/hard to replace?
- What percentage of traffic comes from search?
- How secure are the search rankings? What is the mix of short- and long-tail keywords on which potential customers can search?
- How has traffic been trending for the last year? The last few months?
- Has the site been affected by any Google algorithm changes or manual penalties?
- What is the industry trend (see 'Google trends')?
- Where does the referral traffic come from? Is it sustainable?

This isn't a comprehensive list, but it does highlight some of the more recent measures you need to be concerned with when building your business.

Preparation is key

Finally, it's also important to remove any nasty surprises. Is there anything in the company's history that potential buyers should know about? Even minor issues that are not disclosed could kill a deal! It's all about building trust.

You should disclose the following:

- Unresolved litigation
- Tax planning disputes
- Product warranty concerns
- Employee disputes
- Any other similar issues
- All of the above is preparation to assist the buyer, but you should also think about your own objectives. What do you want to achieve?

- When would you like to complete the sale?
- What are your views on securing the future for key staff?
- Do you have a minimum price?
- Are you prepared to work with the acquirer for a period of transition?

Exiting a business might seem straightforward, but there can be many challenges. Hiring a specialist or a Business Adviser to help will likely prove to be a great investment.