

Step by Step Guide to Selling Your Business ...

Selling a business isn't something most people do every day – so here's a brief guide to the sales process and what you can do to help make your business sell faster, at the best possible price.

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Introduction

Selling your business can seem quite a complex process. There are however, clear stages through which every sale goes, whatever the business. With the right help and some minimal effort, there's no reason why you shouldn't sail through the process – and that's what this guide is designed to help you do.

We've tried to provide as much information as possible, on everything from showing off your business in its best possible light to what to do during the legal process.

We hope you'll find it useful.

Key steps in selling your business.....

- Obtain initial valuation
- Choose and appoint an agent to act on your behalf
- Agree a basic marketing plan with your agent
- Obtain an **Energy Performance Certificate (EPC)**
- Instigate the legal process of selling your business
- Choose and appoint a Solicitor
- Receive offers on the business
- Decide which offer you would like to accept
- Business is sold and transfers to the purchaser

Let's take a look at this process stage by stage.....

Stage 1 – Getting Started

Finding the right Agent

Finding the right Agent is probably the most important thing to consider when selling your business. **Lawrence & Co** are leading agents with a wide industry knowledge, so you relax in the knowledge that you'll be getting the best professional help along the way.

Using your Agent

When you appoint an Agent, you should be asked to sign a contract that sets out how they'll be acting for you and what their fees will be.

Finding and Choosing Your Solicitor

Legally – when buying or selling a business it is advisable (although not compulsory) to use a solicitor to carry out the legal work. Ideally, you should always try and appoint your solicitor before you put your business on the market. This way when you receive an offer and the agents ask you who your solicitor is, you'll already be prepared. They'll not only be carrying out all the legal work involved, they will also be liaising with the agents, the landlords and the purchaser's Solicitors in order to make the whole process as simple and stress free as possible. So, if you haven't decided on a solicitor yet, now is the time to do it.

One of the things that can delay the process is getting the title deeds or lease of your business premises from your lender (if applicable). If you instruct your solicitor early in the process, they can arrange this for you and prevent a delay occurring.

When you make your choice, remember:

- We have identified a panel of solicitors who provide an excellent cost effective service. Please ask for details.
- Of course you may choose not to use this service, in which case, if you don't already have a solicitor who will carry this service out for you, you can find one by contacting the Law Society at www.lawsociety.org.uk who will provide a list of solicitors in your area. Make sure they have experience of business transfer.

Stage 2 – Getting the price right

Asking the right price for your business and 'marketing' that price is vital to attracting interest.

It's very tempting to appoint the agent that comes back with the highest valuation, but before you do, ask them how they arrived at their figure.

Lawrence & Co use exclusive data from our 10 years of experience. This enables us to give you a unique insight into the marketplace and provides you with a more accurate and realistic guide to the market value of your business.

Other things that can help your agent give you a realistic valuation:

- Be honest with yourself. Get your agent to point out potential defects in your business that may hinder a sale, and act where possible. A professional criticism of your business is not personal!

- Ensure you have copies of the lease, accounts, vat returns, utility bills, maintenance records and certificates
- Point out potential services and customers that you have not yet targeted

What you can do

Remember, when you're selling your business you're selling a product, so how it's presented and how it makes people feel is very important. While some buyers will see a business for its potential, many other will be put off by a reception that needs painting or even a dirty production area, so it is worth investing a little time, effort and money in making your business look good!

The Property

- Be clean & tidy – new buyers will pay a higher price for a business if they think they have to spend less on it. If it's dirty or untidy they'll want to change more than if it were clean
- Especially make sure customer areas are clean and old stock is removed
- Organise the stock so that the premises look light, airy and uncluttered
- Tidy up small decorating jobs
- Clean the equipment, particularly at the back of machines
- Clean the windows and make sure any signs/posters are in good condition and relevant to 'your' business

Outside

- Make sure the outside is shown at its best
- Dispose of rubbish in any outside storage area or garage

You

- When you are showing the business remember to point out the strongest features of your business, but without selling too hard
- Always end the tour in the best part of the business premises and after this, if the prospective buyer wants to go around again, let them tour on their own – unless of course you feel security is an issue
- Be welcoming and positive about the business.

Stage 3 – Making the Partnership work for you

Of course, your agent will be doing as much as possible to help you achieve your sale, but as we've shown in the last section, there's a lot you can do to help them help you.

Above all, it's important to let your agent know exactly what you expect from the start and take a little time, every few days, to catch upon what they're doing.

Keeping you informed along the way is an important aspect of the agent's role.

Marketing

Whichever agent you choose, you'll expect them to use every effort in marketing your business – to as many potential customers as possible.

They should

- Agree with you how much your business will be advertised and where

- Make sure the details are produced quickly and discuss with you to confirm they are accurate.
- Make sure that the details are circulated to their applicants as soon as possible

You should also:

- Make sure that the agent will organise viewings
- Talk about the other forms of advertising that the agent participates in and make sure that your business is being included
- Make sure that there is not an extra fee for advertising
- Make sure that your sale remains confidential from staff and customers if this will cause you difficulties

Stage 4 – Receiving Offers/Accepting an Offer

You've received an offer, so should you take it or turn it down? It's a question every seller has to face and it depends on all kinds of factors

Reasons for accepting an offer:

- The offer is the asking price and the buyer has their finance in place
- The offer is not an asking price offer, but after asking the agent to push the purchaser's price higher, you decide it is an offer worth accepting

Before doing so...

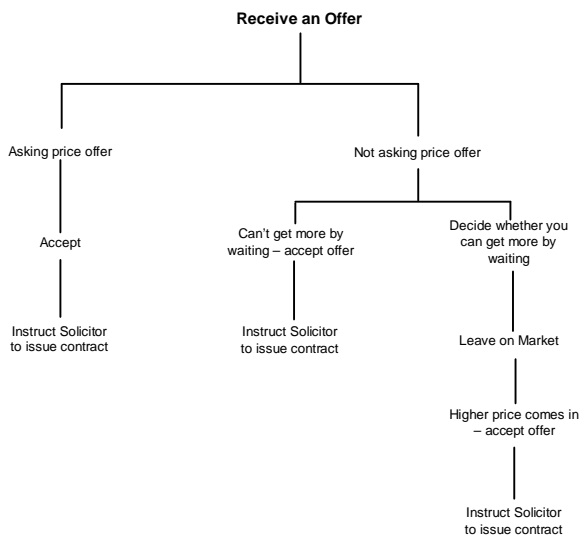
- Ask yourself how strong the market place is.
- Speak to your agent and get their advice
- Consider how long the business has been on the market
- Consider how many other businesses are on the market now

- Is the purchaser in a position to proceed quickly
- Do you need to move quickly?

Your buyer's intentions

Remember, everybody talks about gazumping, but buyers pulling out for no apparent reason just before exchange are more prevalent.

Before finally accepting, get your Agent or solicitor to enquire about the buyer's financial position. Remember, if their circumstances are weak, you could be left with no buyer six or seven weeks down the line, so take some care. If possible meet with the buyer and allow him/her to look around the business and review the financial records one more time to make sure of their intentions.



Stage 5 – The legal side begins

The transfer process is all about checking details on the business being sold or purchased.

Your Agent's main role now is to make certain that the transaction is progressing smoothly and to keep you informed as to everybody's state of mind.

Momentum is important – if the transaction starts to drift the following may happen:

- Transactions that drift typically cost more. If you have not opted for a fixed fee, it may mean that your solicitor's fee starts to escalate
- People may change their minds and pull out if delays start to hamper their plans, which can cost time and money on a transaction that doesn't complete and it may affect your plans.

The legal Process

Although it is possible to do it yourself, it's not recommended unless you have some legal training.

The solicitor will in fact handle virtually all of the work in relation to the transfer, but you'll have to fill in the inventory/fixtures and fittings list, as well as a pre-contractual checklist. These are both relatively simple documents that ask basic questions about your business and any special arrangements with the buyer.

Key stages

As we've said, transfer of a business is a process. Here's a brief guide to how it unfolds and what you should be looking for to make things run smoothly.

the stress of thinking about it all when a suitable offer comes in

- Until the contracts have exchanged, either party can back out

Things to think about...

- It is now a legal requirement that you provide an Energy Performance Certificate when marketing your commercial property for sale. Lawrence & Co can produce this for you.
- The speed of your transaction will depend on (a) how organised you've been in collecting together the documents and papers required in the process, (b) the quality of service from your Solicitor (c) the purchaser and their representatives (d) the landlord and their representatives
- The landlord will need to grant a licence to assign your lease if you operate from leasehold premises. It is worth contacting the landlord early in the process and finding out what information he/she needs to be able to make a decision.
- Employment law requires that employees are consulted prior to a change of business ownership and that contracts of employment cannot be changed without agreement.
- Some documents are not readily available. For instance, a local search can take up to six weeks to receive after it has been requested, although generally this is the buyer's responsibility
- Instructing a solicitor from the outset will speed up the transaction and take away

Selling a Business – The process

