

Selling a business for maximum value

How do I sell my business?

A complete guide to selling your business for all its worth:

The purpose of this web site is to enable anyone selling a business to understand the process of selling a business, the options available to them and to make personal decisions about selling. This site provides access to an advised selling process through a business broker or alternatively to an advertised selling process through a web based business agent.

For most people selling a business is a 'once in a lifetime' experience and accordingly even the most accomplished business person will not have the relevant skill set to complete a business transaction without making mistakes.

Before entering into the sales process it is therefore important to understand to at least a basic level of detail what is involved and how you go about selling your business.. This will enable you to engage with business professionals with some added confidence and ensure you get the service you pay for.

What do I need to know about selling my business? How can I avoid common mistakes?

It is important to understand:

- What your options are?
- What is a business broker?
- What are the different types of broker?
- What do business brokers charge?
- Business valuations?
- How much is your business worth?
- Should you go it alone?
- How does advertising work?
- What should I pay to advertise?
- Do's and Don'ts and mistakes that people make?
- How do you get maximum value?
- What is an exit plan?
- What is an exit strategy?

Please download **'the real world guide to selling a smaller business'** for a quick and comprehensive explanation with real examples and case studies.

Prefer pictures - Please download **the selling a business mind map** – an excellent accompanying tool to the above guide.

The common options for selling a business

There are two *common* routes to selling a business. The first is to use a professional agent, e.g. a lawyer or accountant but predominantly a specialist **Business Broker**. The second is to rely on advertising and manage the process yourself. The determining factor on which route to choose is usually based on the **Business Valuation**. Smaller businesses e.g. with a potential value of up to £500k may be best suited to an **advertised sale**. The main drawback of an advertised sale is that you (the seller) have to filter any enquiries and eventually negotiate and complete the sale. It is sometimes wise to introduce a business broker once a number of leads have been created negotiate a reduced fee for the service.

Larger businesses e.g. £500k and above will generally benefit from the involvement of a **business broker**.

What is a business broker – what services are provided?

A business broker is a professional with a track record and time served in buying and or selling businesses. You should expect a broker to have completed a number of transactions and to be 'commercially' aware of the skills needed to run and build a successful business. In other words, you would want a your broker to demonstrate that they have held senior positions, with profit and loss responsibilities, in larger firms and or that they have taken entrepreneurial risks in the past e.g. running their own business, so that when they discuss your business with you, you will know that they are advising from a position of earned authority.

The job of a business broker should be (but care it isn't always) to manage the process of selling your business including ensuring that your business is optimised (any trading issues are resolved), marketing, negotiating and closing the deal.

What are the different types of business broker? – Why does it matter?

It is important that you check thoroughly how your selected business brokers undertake their role, what their size and scale is (big is not necessarily beautiful in this case) and **what fees they charge**.

Your Business Sold

Some brokers simply rely on advertising businesses in e.g. the Sunday Press and on the Internet and therefore are dependent on buyers being attracted to the adverts. When responses are received they pass on your details to the prospective buyer and effectively push some of the burden back to you to negotiate a deal.

Other brokers are far more proactive, understanding that as a client you expect them to manage every stage of the process and to add value by pro-actively finding buyers through their own marketing activities.

Brokers may be larger national firms or smaller independent companies. Bear in mind that the higher the cost base of a broker the larger the fee is likely to be and the less intimate the relationship with the clients. Brokers employing staff have to ensure that salaries are met and therefore there will be a natural tendency to place emphasis on **up front fees** as in the event that the business is unable to sell your company or it takes longer than expected the broker still has to pay his staff. This is not the case with independent or boutique brokers.

It is also true that a smaller broker working on a self employed basis will be more selective about the businesses taken on. This is because unless there is a high degree of confidence in the ability to find a buyer for your business then the broker runs the risk of not earning a fee.

Selecting the right business broker for you matters because you are entrusting potentially the biggest transaction of your life with a comparative stranger. You therefore need to know:

- That you trust them and the methods to be used
- That you can strike up good professional relationship
- That you understand the job to be carried out by the broker (passive or proactive) and you have expectations of finding a buyer
- That the fees you are paying are fair for the 'job to be done'
- That the broker is focusing on your case and that you are not simply one of many cases being handled
- That your broker understands **your valuation** and is working to secure **the maximum value** for your business
- That the broker will manage relationships with other professionals e.g. lawyers and accountants

What do business brokers charge – what are the fees for selling your business? How much is my business worth.

It is important that you take great care in the area of fees and agreeing what you will pay for the service offered.

Your Business Sold

If a broker is offering an advertising service why should you give up a percentage of the value of your business should a sale be achieved? Therefore where you are engaging a firm that promise to advertise you should expect to pay only for the cost of advertising and handling the responses. This should be a flat fee. If the broker is going to engage in negotiation after finding a potential buyer then at this stage a fee based on the percentage of the selling price should be anticipated. Be extremely careful not to pay too much money up front for this service.

In the event that you engage a broker to provide a full broking service (that's what a true broker should offer) then you should expect to pay a percentage of the selling price and an up front engagement fee.

If you place an advert on an internet site e.g. www.yourbusinesssold.co.uk you should only pay for the advert.

What is reasonable may be a matter of personal choice but the following may offer some guidance:

- Business valuation £1m
- Up front engagement fee £1,000 to £2000 (plus vat)
- Payment on completion 1% to 2% = £10,000 to £20,000 (plus vat)
- Other fees or expenses – nil

This example is given simply as a guide and please keep in mind that the higher the value of your business the lower the completion percentage should become in general terms. However, be prepared to pay more to your broker for achieving higher values.

Please also take care not to sign up a broker in a rush and repent later when the fee structure becomes evident. Brokers should not demand high up front payments if they are to receive a share of the selling price and if they have confidence is selling your business. Bear in mind also that if you are asked to sign a lengthy and complex set of business terms then what should be a simple agreement is being complicated for the benefit of the broker only – ask what that benefit may be and run it by your business solicitor.

Business Valuations – How are businesses valued?

There are a number of ways businesses are valued and you will find lengthy explanations elsewhere on the web and in business textbooks. Your accountant will also offer views on value based on the balance sheet or the cash generated by the business as profit.

For selling purposes a broker will look to identify the maximum value by examining in detail the profit and loss account of the business, making

adjustments to the profits to reflect non continuing costs and applying a potential industry multiple.

However, the single most important point on valuation is YOU.

What do you want as a minimum for your business to make it sensible to sell it? This is a discussion any broker should hold with you and be candid about your chances of success. Beware the broker that inflates value expectations simply to ensure you sign up!

You should be prepared to incentivise your broker to achieve higher values than your minimum. Ask your broker 'how he will achieve maximum value'?

Should you go it alone?

If you have sold a number of businesses, If you can be dispassionate about criticism of your business, if you can leave your business unattended then maybe yes!

In reality, it is never a good idea to attempt to sell your own business without good advice and education. Download '**The real world guide to selling your business**' as an excellent starting point.

Remember, selling a business is complex, it requires a range of business skills and is time consuming.

For smaller businesses, advertising may be the sensible and more cost effective route.

If you want to know more about business brokers visit our sister site **www.hhcbs.co.uk**

How does advertising work?

There are a number of internet based sites where businesses can be advertised. Yourbusinesssold.co.uk is just one. For this type of advertising you pay only the cost of placing your advert. To ensure your ad attracts interest you should ensure that you give a concise and accurate description of what it is that you are selling e.g. a complete business in a box (premises, stock, systems, staff etc) or just the assets. Most importantly place a realistic value on the disposal and indicate your willingness to ensure the continued success of the business by doing all that you can to hand over a successful operation.

Other internet sites offer to advertise your business but seek a share of the selling price.

There are also opportunities to place press adverts.

The method you choose is likely to be driven by your own business experience, your desire to sell and the need for advice and guidance.

How much does advertising cost? What should I pay to advertise my business?

Yourbusinesssold.co.uk operates a very simple model. You pay £50 to advertise for up to six months and included in the price of advertising an essential guide to selling your business normally sold for £25.

Renewing your advert will cost £25 for an unlimited period and you may amend your ad at any time at no cost.

Your advert will be displayed as a personal web page not just a listing and will be crafted to encourage responses.

Other sites are available but generally charge more ... explore the web for comparisons.

What mistakes do people make when selling their business?

A costly mistake can be to appoint the wrong business broker for the wrong fee only to find you are locked in to payment even if you find a buyer direct. It is your responsibility to understand a brokers terms and conditions or to insist that terms are kept very simple. Example terms can be found at (link to terms document) these are operated by www.hhcbs.co.uk. Take time to compare the terms of other brokers.

Common mistakes also include over valuation, selling at the wrong time, not preparing for the business properly and taking ones eye of the ball and etc. For more information download '**the real world guide to selling a business**' which includes lessons and observations as well as case studies.

How do I get the maximum value for my business and sell it for all that it is worth?

First you must decide whether you will benefit from the services of a **business broker**; the answer to that question is almost certainly a resounding yes subject to your business being of sufficient scale.

If you are a smaller business then affording a broker may be a real issue and therefore education about the process is critical. Please read '**the real world guide to selling a business**' and any other specific information you can and or contact your local Business Link. Do not rely on well meaning friends, family or acquaintances unless they have sold a number of businesses.

Having selected the preferred route you need to prepare for disposal by preparing an **exit plan**

What is an exit plan or exit strategy

Forward thinking businesses will deploy an exit plan some years before actual disposal.

Put simply the exit strategy is a documented project plan covering all key points that will enable disposal in the best possible way and therefore for the best possible value.

An exit plan will address key strengths and weaknesses in the business, will address the target buyers and ensure that succession management is in place.

Visit www.hhcbs.co.uk for more details.