



A PRACTICAL GUIDE TO
**SELLING YOUR
BUSINESS**

**JACKSON
STEPHEN**
ACCOUNTANTS / ADVISERS

A REAL ASSET

CORPORATE FINANCE

PROVIDING KEY ADVICE

It is never too early to start thinking about exiting your business.

Succession and exit planning are not single events but a process that requires planning, teamwork and constant re-evaluation. We are experts in all aspects of the disposal process. We can help you to find the right buyer for your business, negotiate the best deal and make it happen.

Why, when and how are you going to leave your business?

Before putting your business up for sale careful consideration must be given to your reasons for doing so. You will need to consider the following questions:

- When do you wish to stop working?
- What do the other owners/key individuals in the business want to do in the future?
- Do you want to leave completely or keep your hand in?
- How much income will you require to support your retirement plans?
- Which exit plan will yield the best results both for you personally and for the business once you have left?

WAYS TO SELL YOUR BUSINESS

Selling part or all of the business may be the best way to achieve your objectives.

You might, for instance, want to sell your business outright, leaving you with no financial or management involvement.

But a sale may not always be the best solution, it may not always be realistic either, there are a range of other exit routes that may suit your needs better, such as passing the business to family or selling to the existing or new management, or a combination of both.

There are various ways you could sell your business, with the options available depending on factors like your business's type, size and sector. Most businesses are sold in a trade sale to another business - usually to one operating in the same or a related field.

Other options available to you could include:

- A Private Equity Sale
- Keeping it in the family
- Management Buy Out
- Management Buy In
- Partial exit
- Attracting a private investor

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There are several different sale options - the one best for you will depend on your individual circumstances. The buyer will also have an opinion on deal structure and how they wish to make an acquisition, so you'll need to know what you want to achieve and how you would like to structure a sale early on in the process. This will save time and money, and avoid unnecessary delays.

VALUING YOUR BUSINESS AND GROOMING IT TO BOOST VALUE

Your business is ultimately only worth what someone is prepared to pay for it.

Your view of what it is worth may be very different from that of a prospective buyer.

Timing is key. Age, illness, family pressure or business problems often dictate timing, whereas the best time to exit will be driven by the financial climate, buyer activity and market trends. Issues such as heavy dependence on one person, product or customer may make it difficult, if not impossible, to sell.

The price a buyer will pay is not wholly based on historical accounting facts. Instead, it is strongly influenced by the current profitability, expected future earnings and the risks involved in achieving those earnings, given the company's situation at the time of the sale.

Some key points to consider that will make your company more attractive to a potential purchaser are:

- Develop the management team as far as possible so the business can operate on a day to day basis without you. This is a key issue with smaller businesses and requires trust and possibly some reorganisation of the team. Selling a business can take up a great deal of your time. Having the right team will ensure the business can function properly without you;
- Make every effort to keep your key people, particularly if you are in the service sector. Buyers will be very interested in the staff assets of the business and their retention post-sale. Consider giving key staff share options or bonuses to incentivise and motivate them. Also, remember that individuals have different needs, so try to choose the incentives that will be important to them, to keep them onside;
- Consider the timing of major investments in new product development, systems or property. The impact of these may not be visible immediately, and consequently the value of these enhancements may not be reflected in the buyer's offer;

- Reducing the risk of customer/supplier dependence as far as possible (heavy dependence may take some time to manage out);
- Ensuring that your information systems are up-to-date and transparent so that a potential buyer can feel confident that reported results are dependable and they can use these to control the business post-sale.

THE SALE PROCESS

For many owners, selling the business they have spent years building up can be emotionally difficult.

Unless you have sold a business before, you will have no experience to draw on and won't know what to expect. Choosing to use an experienced adviser like Jackson Stephen during the business disposal process enables you to run the business while we concentrate on selling it.

Jackson Stephen manages each disposal assignment in order to present our client's business in a way which will allow us to achieve the most favourable price, terms and structure of a deal. We are highly active in business disposals and we act exclusively as retained advisors and project managers.

Experience has taught us that thorough preparation and research can advance the business disposal process in a precise and organised manner. Time is of the essence – the longer a business is on the market the more difficult it is to maintain confidentiality and the more likely it is that something will go wrong.

The process of a business disposal involves a number of distinct stages and we will be involved in each of these stages.

PREPARATION FOR SALE

Prior to commencing the disposal process, we undertake a significant amount of work to understand the business, its performance, the sector it operates in and the potential buyers.

This approach allows us to establish likely valuation parameters.

We then collate the information that potential buyers will require in order to make an informed offer for the business and prepare an information memorandum.

We will also prepare a list of target acquirers using a combination of our experience and sector knowledge, sophisticated databases and through dialogue with other advisers. We will always agree all target acquirers with our client before approaching them.

MARKETING

We are highly experienced at making discreet approaches to the senior management of target acquirers.

We ensure that confidentiality is maintained by ensuring that an appropriate undertaking is put in place.

We issue the information memoranda to interested parties and then coordinate any requirements for further information. Prospective purchasers will want to meet the vendor(s) and in some cases visit any sites.

NEGOTIATING OFFERS

Ideally, a number of 'in-principle' offers will be received for the business.

We will carry out careful negotiations to ensure the terms of any offer are as favourable as possible for our client. We work with you and other advisers as a team. A real advantage to using us as professional advisers during the negotiation process is that we act as a buffer between both parties enabling good relations. We can help you choose the right purchaser for your business through careful analysis. Once an offer is accepted, heads of agreement are prepared.

DUE DILIGENCE, LEGALS AND COMPLETION

Once the heads have been agreed, the due diligence process will commence.

We manage the due diligence process to minimise the time pressure on our client(s) and reduce disruption to the business.

We also liaise closely with the lawyers to ensure that all key commercial and financial matters are reflected in the relevant documentation.

Throughout the process, we are involved in dealing with issues that arise and we are proactive in finding solutions for these issues. We drive the timetable to ensure that completion is achieved in as timely a manner as possible. We are results driven and the majority of our fees are contingent on completion of the transaction.

TAXATION IMPLICATIONS

Whether you intend a trade sale, MBO or handing your business down to family, each will have differing tax implications in terms of type of tax, rate applied and reliefs available.

Therefore early tax planning is not only advised but is essential as failure to plan could significantly affect the value you ultimately receive on the sale of your business.

Other services:

- Tax Planning
- Advice, Development, Strategy
- Audit, Accounts, Tax Compliance
- Outsourced Services
- Corporate Finance
- IT Management
- Wealth Management



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