

HOW TO PREPARE YOUR BUSINESS FOR SALE

Here are some things you can do to maximise the outcome in the sale of your business without detracting from the package offered to purchasers. Many of these should be actioned well before going to the market:

- Offload surplus fixed assets – the valuation is usually based on profit, so assets that do not contribute to profit will usually not have any value attributed to them by the purchaser.
- Tighten up on stock and debtors – remove the fat that tends to accumulate in businesses over time; the higher the working capital requirement, the lower the goodwill.
- Reduce dependence on the owner and any others who will be leaving the business on sale. Replace with a General Manager or equivalent. Often the stumbling block for corporate purchasers and investors is finding someone to run the business; they need a smooth batten change, no fumbling.
- Strengthen systems and documentation. This improves the transferability of goodwill to the new owner, therefore value.
- Make sure the business has a broad customer base, rather than being dependent on too few; Lowers risk and therefore increases value.
- Secure your premises. Location-sensitive businesses should have long leases or preferably options. This may affect the finance term, but is mostly for security.
- Obtain advice on tax issues well in advance.
- Don't Move! Location-insensitive businesses such as wholesalers appeal to a wider range of purchasers if they are not nailed down by a long lease; If the business is relocatable, keep the property commitment short. Conversely, location-sensitive businesses such as retailers lose credible sales history if they are moved. Worst case is to move a business to a new bigger location with higher rent before selling; not only does the vendor pay the relocation cost, but the business also reduces in value as purchasers factor higher rent into their valuation.