Company/Business Exit Strategy Checklist

Toby Preston is a Partner at Bray & Bray Solicitors who specialises in buying and selling companies and businesses of different sizes across many industries, throughout the UK. Here, Toby has put together a simple checklist of the sales process to help business owners maximise their business' value whilst minimising risk during the sale process.

1. Set clear objectives

Know why you want to sell. Ideally this will be part of your business plan, but I have found that people also often sell for (one or more of!) the following reasons: timing - having a business that is highly profitable/unprofitable can trigger a sale; retirement; boredom – wanting to pursue new career paths/new ventures; ill health or in some cases; disagreements between the owners or death.

Sale price. How much is your company/business worth? Be realistic in your expectations. Your accountant/corporate finance adviser can provide you with their view based on their market knowledge (see item 4 below). On that basis, can you afford to sell at the minute?

Plans post sale. What are your plans after you have sold the business? Think about whether you still want to be involved in the business after it has been sold and decide on the timescales that you would like to work to.

2. Timing

Advance planning by you is key. Is it a good time to sell? Is the business saleable or is there work to be done first? If so, are your timescales realistic? Your lawyers and accountants can provide you with their view based on their market knowledge (see item 4 below).

3. Gain internal 'buy-in'

Is it your idea to sell? Have you thought about how the other owners (if any) will react to the idea and the timing? Decide when is best to tell key members of staff and other employees and ask your advisers to help with the process. Consider the impact on your employees – can you motivate them to want to help sell, either financially or with opportunities for career progression?

4. Use experienced advisers

You will need support from external advisers. Use trusted lawyers, accountants, tax experts and other advisers that specialise in buying and selling businesses of your size, in your industry. Shortlist any that you think that you would like to work with and ask for previous client references or testimonials to help you and your team to make an informed decision. Always try to meet with professional advisers first so that you can see whether you get on; a sale/purchase transaction can be a complicated procedure with the need for regular communication.

5. Get your party frock on

It can take months to 'get your party frock on', which really means increasing the attractiveness of your company/business to any purchaser. The whole point is to maximise value for you and in order to achieve that, you need to make the right preparations (with the help of your advisers) including:

- Financials – typically you will need detailed accounts that cover the last 3 years and monthly management accounts from the last 2 years. Future forecasts are also important. Does all of the financial information show that your company/business is an attractive proposition? Your accountant or corporate finance adviser is key here.
- Assets – do you own what you think you own? For example, ownership and rights to use intellectual property is often a hot topic.
- Liabilities – what are the company's/business' liabilities? Will a purchaser want to take these on? Seek the advice of your advisers.
- Contracts – do you have written and binding contracts in place for key suppliers/customers?
- Employees – are your employee records (including employee contracts) up to date and correct? What are your pension arrangements? Consider any TUPE issues.

6. Targeting potential purchasers

Do you know who you can realistically sell to? If you have engaged a corporate finance adviser or accountant, they will typically lead on identifying potential purchasers.

It is recommended to have confidentiality/non-disclosure agreements prepared and in place with any potential purchaser, so that you don't put yourself and your business at risk by sharing information with a purchaser (who may be a competitor!) before they are legally bound to buy your company/business.

7. Preferred purchaser selection and due diligence process

You will need to consider whether you are prepared to sell to any of the parties that are showing an interest. Give purchasers a deadline for them to make you an offer.

Once offers have been received you (together with your appointed advisers) will need to select a preferred purchaser and <u>conditionally</u> accept their offer. Note that a purchaser will typically want a period of exclusivity to carry out due diligence (which is likely to include financial, legal and commercial due diligence) in relation to your target company/business.

Typically it is at this stage that a "term sheet" or "heads of terms" are prepared, which will outline the key terms of the transaction that have been agreed in principal.

8. Documenting the sale

Your lawyer's job (with input from you and your other advisers) will be to document the transaction and ensure that it reflects what you and the purchaser have agreed. Of course, your lawyer and other advisers will use their knowledge and experience to advise and guide you so as to protect your position.

9. Completion

Finally, celebrate – the hard work is done!

To contact Toby for advice about selling a business, email tbpreston@braybray.co.uk or call him at Bray & Bray's Leicester head office, on 0116 254 8871.