

Looking Back at the Sale of a Business from the Seller's Perspective – Latter Stages of the Sale

In our experience, many business owners for whom we have sold businesses, say, in retrospect, that they wish they had done more to prepare the business for the sale. This tends to come into particular focus as the due diligence and legal stages begin, after a buyer has signed Heads of Terms. Up until this point, a good adviser, such as Anderson Shaw, will take most of the load.

Issues that sellers typically mention include:

- Organising themselves to better balance the day to day business needs and the work involved in the latter stages of the sale
- In particular, issues arising in due diligence (contracts, tax, leases, litigation, IP, company policies etc. – we tried not to mention GDPR but its forced itself in here!)
- Lack of adequate management information – the vendor usually knows the business like the back of his hand and doesn't feel the need for regular management accounts, for example, whereas this information is fundamental for buyers.
- Lack of credible, properly prepared forecast numbers – this is extremely important so that variances from the forecast can be properly explained. Nothing 'spooks' buyers more than underperformance that cannot be properly explained.
- Management issues – most vendors wish to keep the sale of the business confidential from employees but there needs to be a plan to tell employees at the appropriate time especially those who need to be involved in the due diligence process. There should also be a contingency plan in place in the event of the sale 'leaking' ahead of the planned date to inform employees.
- Underestimating what is actually involved and how long it takes
- Putting in place measures to maintain trading at required levels during the sale process (and reflecting this in the forecasts by ensuring that these are conservative)
- Preparing key customers and suppliers for the change of ownership and ensuring that this does not cause the business to 'mis-fire'
- Heading off potential shareholder disputes that may arise during the sale process

At Anderson Shaw, we try to persuade our clients to involve their corporate solicitor and accountant/tax adviser early in the process, before the legal stages have begun to address many of these issues. It will save time, cost and aggravation.

So what does this all mean? Simply that, as in most business situations, preparation is key and the sooner you start the easier the whole process becomes.

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So, once you've decided to sell, think around a realistic timescale and build in some time for getting as prepared as you can be. Build in some time for things that you're not prepared for!

Look inwards at your business and try to see what a third party would see – are you satisfied with what you find? If not, now's the time to try to do something about it.

We will provide more details about some of the items mentioned above in future articles but this is designed to highlight the fact that selling a business is a big event and needs to have a valuable amount of your time invested in it to try to ensure you get the best outcome.

At Anderson Shaw Corporate Finance Ltd, we are always happy to both provide a free preliminary valuation and to work with vendors right the way through from exit planning to the ultimate sale.

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