

Selling Your Business Factsheet

BLACKHAT
HOLDINGS

As a business owner, you realise that the culmination of years of hard work and effort is the successful sale of your business.

To achieve a successful sale, you will need to put in as much effort as you have put into building your business and start planning early.

Early Preparation

So, you are thinking about selling your business!!

Before placing your business on the market, you should start planning for the sale process.

You want to start by looking at the most important factor that potential buyers are going to look at first, THE PROFITS.

Start by focusing on the operations of the business and tightening up any inefficiencies in the business but ensure that you start early enough that the results are reflected in the accounts that will be presented to the potential buyers.

Second Tier Management

You need to think about the business post-sale, how will the company operate when you are not there anymore.

Potential buyers will want to see a strong management team that can operate the business without you having to be there.

This ensures that the business continues after you are long gone.

"This is important for many buyers and can make the difference between a sale or not"

So, make yourself surplus to the business.

Balance Sheet

Most Owner Managed Businesses are operated as "lifestyle businesses" and will undoubtedly have assets on the balance sheet that can be safely removed without impacting the business operations.

Start looking at your balance sheet and remove items that don't need to be there i.e. under-used assets, redundant equipment and don't forget the high-end car, the spouse's car, the boat, the holiday cottage etc

Financial Controls

Having good financial controls in place is important to demonstrate to potential buyer's that you have a good grasp on the numbers, which is ultimately the purpose of the business - GENERATE PROFITS.

This will make it easier and more attractive to the potential buyer that the business is being managed properly and the profits are being reported correctly and that there are proper control mechanisms in place to identify any issues that may arise in a timely manner.

Customers

Customer concentration represents a significant obstacle and will affect the saleability, valuation, and deal structure of a business-for-sale transaction.

Not only will it create problems in qualifying buyers, but it will impact the ability for any prospective purchaser to obtain third party financing to complete the acquisition.

Determining if customer concentration is present in an enterprise is critical to the acquirer, for them an ideal business has a broad, diversified customer base.

Customer concentration will significantly impact the valuation on a business.

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Employees

Having a loyal and content work force with long term employees is always a positive attribute for a buyer seeking to acquire a privately held business.

Also, you want the customers dealing mainly with the employees, especially in customer facing functions rather than the owner, shows that the business can continue to flourish without the owner and won't create challenges for the new owners in customer retention.

Future Prospects

Businesses that operate in an industry that has a strong outlook for continued growth in the years ahead will be highly sought after.

You need to be able to provide realistic, justifiable projections of future growth and earnings together with solid contracts, areas of growth identified and potential new markets to show to potential buyers a path of improving bottom line profits which demonstrates to them the UNDERLYING VALUE in the business.

Professional Advice

Professional advice is vitally important at this stage adding value and potentially saving costs and maximising value.

You need to ensure you have advisors in ALL the relevant areas from accounts, tax, finance and legal matters together with mergers & acquisition specialists.

If you need to discuss any part of the sale process in complete confidentiality, feel free to contact us. There is NO cost to you, we do NOT charge any consultancy fees for an initial consultation.

"Take as much professional advice as early as you can"



Documents Checklist

Hers's a list of some of the documents you should have available. This is not a definitive list, but it covers the basics.

Initial Assessment Stage:

- Last 3 – 5 years accounts
- Latest management accounts
- Lease contracts (property, equipment)
- Shareholder lists, company structure
- Organisational Chart
- Any current or pending litigation
- Employee lists

Offer/Due Diligence Stage:

- HP Agreements
- Trade Receivables Ledger
- Creditor Ledger
- Assets List (plant, machinery, equipment)
- Employment contracts
- Customer contracts
- Supplier contracts

About BLACK HAT HOLDINGS

Our team of dedicated M&A professionals are passionate about working with forward thinking individuals and companies providing them with the transparency needed throughout the selling process.

YOUR TRUSTED PARTNER