

# GUIDE TO SELLING YOUR BUSINESS

Key points to consider when appraising  
your business for sale



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# Thinking of selling your business?

If the answer to the question above is 'YES', or perhaps more likely, a qualified 'MAYBE?' ... then here are some points worth considering

Do you want to meet and discuss your situation?  
Call ideology consulting on  
**0333 939 8010**

## ARE BOTH YOU AND YOUR BUSINESS EXIT READY?

If you want to achieve the best price for your business you will need to address any obvious problems that you are aware of well in advance, as transparency will lead to a less problematic transaction. Clearly, this is an area where we can give both guidance and advice, and stop you from making basic errors that could cause you both embarrassment and/or undue distress, let alone threaten the success of the sale.

## DO YOU HAVE AN EXIT STRATEGY?

Most clients only sell a business once in their lifetime, so be clear in your own mind about the reasons for selling, as your uncertainty could well impact upon the sale process. At ideology, we are able to give general advice regarding the market, your likely tax liability, and your timing amongst other issues that might either influence or concern you.

## WHAT IS YOUR BUSINESS WORTH?

Most clients have spent many years building up their estate agency businesses, so it is vital that the valuation of the business is credible. As such, account should be taken of not just the ratio between sales/lettings income, but other factors such as the size, location, and scarcity of your office(s), longevity of trading, and consistency of profits (through good years and bad). Of course, historical market evidence is a factor, but we always judge each client's business on its own merits.

## UNDERSTANDING THE BUYER?

No buyer likes unexpected/unwelcome surprises! So preparation is the key. At ideology, we will supply you with a checklist of the information that you will be required to release to potential buyers both initially and during the Due Diligence process.

## UNDERSTANDING THE PROCESS?

Having made the decision to sell your business, the period from agreeing an offer to legally completing the transaction can be a nervous, intensive and stressful process. So whatever your disposition, be assured of both our attention and commitment to you throughout, as we understand from personal experience the "Highs and Lows" that accompany the sale process.

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*If a man does not know to what port he is steering, no wind is favourable to him*

*Lucius Annaeus Seneca  
c.4 BC – 65 AD*

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## STEP ONE

### Understanding your aims and objectives.

Unlike other business transfer Agents, ideology Consulting will not act without meeting with you and acquiring a basic understanding of both you and your business. We deem it essential that we at least understand the scope of the business being sold and your personal motivation and remit prior to us being engaged to act. After all, why would you entrust possibly your most valuable asset to an agent or broker who cannot be bothered to meet with you and fully discuss your aims and objectives... let alone provide an accurate valuation that both reflects your business as it is and perhaps more importantly its true market potential!

## STEP TWO

### Appointing advisors.

You will require a solicitor who specialises in businesses sale/transfer to act for you, in addition to ourselves as agents. We can of course make a recommendation in this regard upon your request.

## STEP THREE

### Preparing your business for sale

We will require you to complete our business sale questionnaire, as well as provide a supplementary package of financial/general information that will provide potential buyers with true picture of your business and its make-up.

## STEP FOUR

### Shortlisting and approaching potential buyers.

We will agree with you a "target list" of potential buyers whom you are happy for us to approach. All of the businesses on the "target list" will be required to sign a non-disclosure or confidentiality agreement before we agree to release the name of the client for whom we are acting.

## STEP FIVE

### Meeting your successor.

It is usual, although not always essential that meetings take place between the potential buyer(s) and the seller. This is something that we actively encourage, as in our experience both parties have the opportunity to either "build goodwill" or indeed the complete opposite. Trust and strong personal relationships can be invaluable to both parties during "delicate" negotiations, or laborious information disclosure... but in general most clients simply wish to have the comfort of knowing who they are selling their business to, and gauge whether the potential buyer will be a suitable custodian of their client base.

## STEP SIX

### Agreeing Terms

Once a potential buyer or buyers is satisfied with the information provided, it is usual that they make an indicative offer in writing. At this point you as the

# UNDERSTANDING THE PROCESS



*Good businesses are not formed in a week or in a month, they are created little by little, day by day*

*Unknown*

# UNDERSTANDING THE PROCESS

seller will have the opportunity to agree the basic terms of an offer, after which, "Heads of Terms" will be drawn up (usually by the buyers appointed solicitor).

"Heads of Terms" outline both intent and main essence of the transaction, but are generally not legally binding. However, certain provisions such as costs, exclusivity and confidentiality may well be legally binding if specifically detailed as such. Both buyer and seller usually sign this document prior to both formally instructing solicitors and/or commencing with Due Diligence.

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*Protracted and patient effort is required to achieve or create anything in life that is worth having*

*Unknown*

## STEP SEVEN

### Due Diligence

Due diligence can be a time consuming process for the seller, so as mentioned previously – preparation is the key! However, it is possible in most cases to avoid your staff's suspicions by arranging for it to be carried out outside of normal working hours. Also, we can provide you with a checklist in advance listing the required documentation... saving you both time and effort.

## STEP EIGHT

### The Purchase Agreement

Firstly, it is usual that the purchaser's solicitor will draw up all of the primary documents throughout the transaction. The main document is the Purchase Agreement, which will either be an SPA (share purchase agreement) or an APA (asset purchase agreement). An SPA is used when the buying individual/company is buying your company and all of its shares, and an APA will be used when selling off your assets i.e. a rental portfolio etc.

Both alternatives have tax implications which we would be happy to discuss with you, but either document can vary in both length and complexity but will contain a significant number of warranties and indemnities as well as other information relevant to the transaction.

## STEP NINE

### Exchange of Contracts and Completion

It is not uncommon (usually for practical purposes) that exchange of contracts and completion take place either simultaneously or on the same day... although there may also be good reasons why this may not be preferable. However, it is usual (although not always essential) that both parties and their solicitors attend a "Completion Meeting" where the last documents are signed and the funds are transferred and the deal is finally legally completed.

## STEP TEN

### Celebrate and/or commiserate.

Most clients have mixed emotions when they part company with their businesses. It is not that surprising really, as owning and managing your own estate agency simply becomes a way of life and no amount of financial security will change that. So whether you feel truly liberated or indeed feel a little bereaved... you should take comfort in the fact that it is an achievement in itself to build up a business that somebody else wants to buy and moreover, this is something that relatively few people get to experience in their working lives!

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All of the issues raised in this guide are indicative and written to assist you and your understanding of the sale process. Should you want to meet with us and discuss any of the points raised or indeed any other matter that is related, please call 0333 939 8010 to arrange a consultation, or e-mail us using our website contact page.

#### YOU ! (The seller)

Selling your business successfully requires both the commitment and focus of the seller... as it is not a passive experience for the half-hearted! So think through carefully what is in the best interests of both you, your business partner(s), and your family before committing yourself to the process!

#### YOUR EMPLOYEES

Although you may want to keep your plans secret from your employees, it is always worth asking the buyer about their plans for your workforce (post completion) when negotiating. Think about any KEY members of staff that may be crucial to the success of the business moving forward and whether it is likely that they would want to work for the individual/ company that may buy your company.

#### DEBTS AND OUTSTANDING CHARGES

Communicating with your bank/lender about your plans to sell is an important part of the sale process. Manage their expectations diligently, and be aware that they require reasonable notice to discharge security, or remove charges over your assets.

#### BUYER/SELLER RELATIONS

As all good business people know, you do not always have to like the people or companies that you trade with, but you do have to do what is necessary to make the relationship work effectively... so try not to get over emotive, and keep all disagreements on a business footing. Remember always, that both you and your buyer may well have different objectives, but what you have in common is a mutual interest in getting the deal done!

#### MAXIMISING PRICE/RE-NEGOTIATION

There are any number of reasons why deals fall through, but sellers being too ambitious and buyers re-negotiating at the last minute would be probably be up there as the most common. Perspective is clearly the key in both scenario's... so think clearly when it comes to dealing with unforeseen problems and communicate clearly when trying to resolve them.

## WHAT COULD POSSIBLY GO WRONG WHEN SELLING YOUR BUSINESS?

The honest answer is... well, quite a lot actually!  
So here are the most common areas that cause deals to break down