FORD & FORBES

BUSINESS SALES AND PROPERTY MANAGEMENT

Ten Tips to increase your business sale price

1. Run clean books

   The number one reason a Seller doesn't get what they want when they sell is because of poor financial accounts. Running clean books means being up to date with taxation, claiming only legitimate business expenses (no kids school fees or campervans), declaring every single cent (no more stealing from the till) and operating an electronic accounting system. Clean books will ensure you can prove what you say the business earns.

2. Plan ahead

   Planning ahead in business isn't just for when you're operating but also when you're selling. Being able to clearly illustrate the future of your business should you keep it, allows a buyer to imagine the future. Always have a business plan for the next three to five years.

3. Be frugal but do what's necessary

   Being frugal in a business will ensure you don't over capitalise however never avoid spending money when money needs to be spent. Holding on to that piece of machinery that carked it seven years ago just to get a sale through won't fool a buyer. They'll just deduct the cost from their offer price to allow replacement. On the other hand, don't go investing heavily on shiny new things right before selling as you often won't recoup the cost.

4. Presentation is everything

   Presentation is everything when selling a business. An immaculately presented business will fetch far more dollars than one that's in a mess. This means everything from the look and presentation of your office to your equipment and branding. Just like when you sell a house you do a tidy up, when you go to sell a business do exactly the same.

5. The Three D's – Documentation, Documentation, Documentation

   Document everything in your business. Having an operating system between your ears doesn't add value to your business. The more systems and processes you can document the more valuable your business. As a rule of thumb, everything that's in your head needs to be in writing so a buyer can access this information without having to bug you. It also reduces the time for training with a buyer.

6. Assess your risk

   Risk assessment is essentially what a buyer does when they analyse your business. If you're making a million a year but are a high-risk business you business value is limited. Reduce your risk an your value will sky rocket. Things like having a low risk customer base where each customer represents less than 5% of total sales or guaranteeing your supply chain through contracts or agreements. Other risky areas are key staff or key machinery that could fail. Take a step back and look at your business from a risk assessment perspective and then address any areas that could be a potential risk.

7. It's me not you

   Having a business that is based around you is hard to sell. In fact it really hurts the valuation. Often a business is reliant on an owner as a result of the owner and their operating style however this can be fixed. Buyers need to be able to buy and operate your business without your there otherwise they won't buy it. So if you're the centre of attention start taking action to make yourself redundant.

8. Pick your time to exit

   Knowing when to get out it simple; when you have three years of consistently good financials. However.... And it's a big however most owners hold on too long. They get greedy thinking they'll go another year and then sell. Well, it only takes a tiny backwards step in financial performance to kill a buyers' confidence. If you're thinking about selling sell when you business is performing well, not because you're doing poorly.

9. Be first, be smart, be better

   Three fundamentals of selling a business; be first, be smart be better. Assess your business and your industry. If it's likely many of your competitors are going to sell for whatever reason, you want to be first to move. Being smarter is simply choosing the right agent to sell your business and lastly, being better means engineering your business for sale well before wanting to get out.

10. Get your ducks in a line

    If you have a lease, a franchise agreement, a supply contract, in fact any document that is time relevant then you need to assess the length of tenure left before selling. If you're able to extend or at least have the option to do so then it gives plenty of time for a buyer to capitalise. Do this in writing before you go to market.

For further information on how to improve your business sales price please contact us today for a confidential discussion.