GROOMING A BUSINESS FOR SALE

The purpose of this exercise is to prepare the business so that it looks its best at the time it is taken to market. A well-groomed business will optimise the number of potential purchasers and maximize the final price.

Tick the box when analysis complete and make any relevant notes.

1. Accounting information

- ❑ Annual certified/audited accounts are current
  ……………………………………
  ……………………………………
- ❑ Management accounts up-to-date
  ……………………………………
  ……………………………………
  ……………………………………
  ……………………………………
- ❑ Forecasts refreshed to reflect current thinking – and robust
  ……………………………………
  ……………………………………
  ……………………
- ❑ Asset write-downs accounted for (eg bad debts, stock, impaired assets)
  ……………………………………
  ……………………………………
  ……………………………………
  ……………………………………
- ❑ Other items with adverse effect on balance sheet
  ……………………………………
  ……………………………………
  ……………………………………
  ……………………………………
  ……………………………………

2. SWOT Analysis

- ❑ Strengths
  ……………………………………
  ……………………………………
  ……………………………………
- ❑ Weaknesses
  ……………………………………
  ……………………………………
  ……………………………………
- ❑ Opportunities
  ……………………………………
  ……………………………………
  ……………………………………
- ❑ Threats
  ……………………………………
  ……………………………………
  ……………………………………

3. Business and income driving issues

- ❑ Breakdown of income by source
  ……………………………………
  ……………………………………
  ……………………………………
- ❑ Income streams by margin
  ……………………………………
  ……………………………………
  ……………………………………
- ❑ Breakdown of main costs
  ……………………………………
  ……………………………………
  ……………………………………

4. Sales and marketing

- ❑ Main marketing channels
  ……………………………………
  ……………………………………
  ……………………………………
- ❑ Main sales methods
  ……………………………………
  ……………………………………
  ……………………………………
- ❑ Marketing materials up-to-date (especially website)
  ……………………………………
  ……………………………………
  ……………………………………

5. Operations

- ❑ Staff
  - – Pending redundancies
    ……………………………………
  - – Pay reviews
    ……………………………………
  - – Other
    ……………………………………
- ❑ Premises
  - – Rent reviews
    ……………………………………
  - – Lease expiry
    ……………………………………
  - – Space requirements
    ……………………………………
  - – Refurbishment requirements
    ……………………………………
- ❑ Technology
  - – Future needs review
    ……………………………………
  - – Current state
    ……………………………………

6. Legal etc

- ❑ Pending/possible litigation
  ……………………………………
  ……………………………………
- ❑ Taxation inquiries
  ……………………………………
  ……………………………………
- ❑ Others
  - – Pension deficits
    ……………………………………
  - – Trade name protection
    ……………………………………
  - – Intellectual property
    ……………………………………
  - – Insurance
    ……………………………………

7. Planning the sale

- ❑ Personal wants
  ……………………………………
  ……………………………………
  ……………………………………
  ……………………………………
- ❑ Tax issues
  ……………………………………
  ……………………………………
  ……………………………
- ❑ Other factors relevant to deal
  ……………………………………
  ……………………………………
  ……………………………………

GROOMING A BUSINESS FOR SALE

This section provides background to each part of the Grooming Plan and some helpful tips and advice on completing the pro forma.

The start-point is put yourself in the shoes of a prospective buyer. "What would I be looking for as I contemplate the purchase?"

1. Accounting information

We start with the basics and accounting information is vital in any sale. We are looking to reduce the uncertainties to a minimum:

The annual certified/audited accounts must be current
Management accounts should be as up-to-date as possible
.
Forecasts should be refreshed to reflect current thinking and be robust.

Asset write-downs should be accounted for eg. bad debts, stock, impaired assets

Other items that will have an adverse effect on the balance sheet

But it does not have to be all bad. There are also areas which could enhance the balance sheet value: understated work in progress, undervalued assets, over-provision of potential creditors.

2. SWOT analysis

Business owners are not usually very good at taking a dispassionate overview of their strengths, weaknesses, opportunities or threats. A "warts and all" appraisal is always appreciated by the prospective purchaser. All businesses have weaknesses and threats – but it's actually a strength to be honest and straightforward about them – whilst, of course, not forgetting the positive aspects of the business. Whilst we work closely with business owners on the SWOT analysis, we make sure that they have complete ownership of the final summary.

3. Business and income driving issues

Prospective purchasers will look very closely at the strength of the income of the business and how this might be affected by a change in ownership. The more detailed the breakdown of income and related margins the better. Margins are governed by income and costs and both have to be addressed.

4. Sales and marketing

How the business is marketed and sales created are the lifeblood of the business. Sales, promotional literature and the website should all be current and fresh.

5. Operations

Staff, premises and technology are probably the key issues. Staff matters such as pending redundancies, pay reviews. Premises issues will include: rent reviews, lease expiries, insufficient space, surfeit of space, refurbishment requirements. Technology advances at a considerable pace these days hence most businesses are not going to be "cutting edge" but should not be embarrassingly archaic.

6. Legal etc

Any pending litigation of a material nature should be resolved as quickly as possible. If there are any inquiries from authorities eg. Corporation Tax, PAYE, VAT; any outstanding matters should be concluded.

Other items include: potential pension deficits, protection of trade names, protection of intellectual properties, insurance, long term commitments such as leases.

7. Planning the sale

As a rule, vendors prefer to sell shares in their company but, where possible, purchasers prefer to acquire the assets of the business..