Kenyon Prendeville

Selling a Business?
What you must know

Top 5 Tips for Selling your Business

For many financial planning business owners the sale of their business, either by trade sale or succession, is the realisation of their most valuable asset and usually involves winding down a long and distinguished career.

Deciding on how to go about selling, and choosing who you sell to, are crucial decisions.

It is a once in a lifetime decision and you can't afford to make a mistake as it could have far reaching ramifications, for you, your family, your clients and staff.

The Financial Planning industry whilst continuing the evolution from a cottage industry to well developed business will always have as one of its unique features a profession based on the strength and trust of the relationship between adviser and client.

It's this unique relationship that makes every business we sell different, even in small ways.

Tip 1: Appoint a professional to help you

We are all emotionally attached to our businesses and when it comes to selling, this can be a hindrance not a help, as subjectivity is required.

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Professional assistance can save you time, provide objectivity in assessing the value of your business, create multiple options, and act as a filter between you and potential purchasers.

History has shown that when owners and purchasers negotiate directly it becomes personal, timeframes are not maintained, objectivity is lost and there is often a loser – this doesn't have to be the case.

Tip 2: Develop a strategy

An old but true saying is "A minute spent in the planning is worth three in the execution." Developing the right strategy should address issues such as:

- Timing of the sale and the duration it may take
- Marketing
- Profiling the "right" potential purchasers
- Agreeing the negotiable and not negotiable items
- Price range, terms and conditions sought
- Establishing realistic expectations

Tip 3: Preparation of Information

Prior to marketing your business it is vital to prepare a comprehensive business profile or information memorandum. This document should contain as much information about the business as possible.

It should provide the reader with a good understanding of the history of the business, its key people, clients and method of operating. Whilst it is not intended to answer every question a purchaser may have, it gives a first impression that will determine a purchaser's initial level of interest.

(continued overleaf)

Top 5 Tips for Selling your Business (continued)

Financials, client segmentation, age and geographic demographics, product analysis, business and marketing plans, sources of business compliance history, staff resumes and job roles. These all contribute to the perception a purchaser will have of you and your business.

Most small business don't have the systems and human resources to resource the compiling of this information. Outsourcing this part of the project is a very cost efficient way to expedite matters.

Every business will record its own version of key information in a myriad of ways and on a variety of systems. This doesn't matter provided the information available is as accurate as possible and importantly transparent.

Tip 4: Meeting Potential Purchasers

This can be a daunting task for some. Suddenly someone knows intimate details about your business.

Firstly make sure you only see those prospective purchasers that meet your criteria that you develop at the strategy stage.

Secondly don't meet with anyone until you have a good insight into their business. It is our experience that like businesses buy like businesses. (Your professional adviser should do this.)

Make sure you allow enough time for the meeting (1 to 1 ½ hours) and are flexible as to your availability. Many businesses are bought by people from outside your area, city or state and need to have flexibility around travel.

The initial meeting is not the time for negotiations but rather one for each party gaining a greater insight into the people involved, their backgrounds and future aspirations.
If you are seeing multiple parties keep an evaluation sheet to make accurate comparisons following each meeting. This can assist you to make an objective assessment.

Tip 5: Define negotiable and non-negotiable items

Decide before you meet a potential purchaser what is negotiable and those things that are not negotiable, we are not talking just about price, many things make up an acceptable offer.

By knowing what is "not negotiable" can save substantial time as it can be encapsulated with the business profile and it makes it easier to reject an offer that "doesn't quiet feel right"

Set a realistic price, timeframes terms and conditions. Remember you are protecting all stakeholders, you, your family, your clients, your staff and your business relationships.

For more information on why deals fail and 12 steps to success go to our website at www.kenyonprendeville.com.au

Why Deals Fail

- **Cultural misalignment**
- **Unrealistic expectations**
- **Lack of preparation**
- **Owners negotiate**
- **Intimidation**
- **Timeframes**
- **Poor communication**
- **Finance**
- **No professional help**
- **Unsure of journey**
- **Under resourced**