Getting the best deal when selling your business

BHP Corporate Finance

TRANSLINK CORPORATE FINANCE

You have appointed or are close to appointing an advisor to explore the sale of your business, here is a handful of our top tips for how you can maximise the cash proceeds.

1 I've received an approach for my business from a potential acquiror – why do I need an advisor

We are professionals who have been through this process many times before, you may only do this once. We will help you present the information that an acquiror will ask for in the best possible light, highlighting key sales messages whilst managing the timing of providing commercially sensitive information.

There are many areas of the sales process during which value can be gained or lost and we will work on your behalf to maximise the outcome. We will keep the project on track, avoiding potentially damaging delays whilst maximising the chances of a successful completion.

You might think you can do some or all this, but why risk not maximising the proceeds. Having a suitably experienced trusted advisor by your side will ensure the deal has the best possible chance of completing.

2 Run a professional process that maximises competitive tension

This might be a highly focussed approach where you contact say, 4-6 of the likely potential buyers or you could run a full scale global process contacting a wider number of acquirors and include private equity. Getting a broader view on buyer's appetite will give you a better chance of maximising value and allows us to use the resulting competitive tension to drive up the price.

3 Focus on the business

It is important that the sales process doesn't act as a significant distraction for you, the business's leader. Let us take the strain of the process, we will discuss all key areas in advance and then act in your best interests whilst proactively keeping you up to date allowing you to concentrate on running the business and delivering the business plan.

4 Invest in high quality monthly management information

Having good quality Management Information and ensuring this is prepared on a timely basis during the sale process can have a number of benefits, for example:

- For growth companies it may allow us to negotiate a higher price by selling the business based on current performance, which should be higher than the historical earnings.

- It will instil confidence in the buyer thus maximising the chances of a successful sale and may also result in a higher price being achieved.

- Should allow us to agree the closing balance sheet adjustments, inherent in every transaction, in advance of the closing of the transaction. This will hugely reduce the risk to your proceeds and allow you to focus on integration and running the business post deal, rather than getting bogged down negotiating the completion accounts.

5 Be transparent with your advisor

We recommend that you are completely open with us about the business. There will inevitably be highs and lows from an operational perspective during the process. We are well versed in handling the timing, messaging and delivery of news and information to maintain integrity whilst arriving at the best outcome.

6 Stick to the strategy

In order to maximise sale value, ideally your business would have a clear, well defined strategy and growth story which we can help you bring to life. This should be backed up with ambitious but robust, achievable and defensible financial forecasts. Once in place, you should focus all your attention on delivering the strategy, essentially running the business as though you weren't considering selling.

7 Manage cash and working capital closely

Companies tend to be bought and sold with an average/'normalised' level of working capital (stock, debtors, creditors etc), a target figure will be arrived at by measuring balance sheets in the run up to completion (usually over a 12 month period). Poorly managed working capital will result in a reduction in proceeds for the selling shareholders.

Think also about whether there is any 'trapped' cash in your business that could be released ahead of completion allowing you to benefit from this rather than the buyer. For example, a legacy deposit with a supplier which is no longer required.

Ideally all of this would be done well in advance of a potential sale.

8 Consider timing of major investment or capital expenditure projects

Maintaining your on-going level of investment is advised but in most cases, taking on major/transformational projects in the build up to sale is unlikely to have a positive impact on price. Furthermore, the associated reduction in cash and/or increase in borrowings to pay for the project will have a negative impact on the proceeds the shareholders receive for the business.

9 Think about the timing of renewal of financing facilities

It is possible/likely that a buyer will require settlement of financing facilities at completion which may result in early settlement charges, depending on the nature of the facility. If these are not required by the business, it may be in your interests to think about whether these could be settled and closed at break points ahead of completion thus avoiding additional fees.

10 Finally, engage with advisors early but don't rush the process

Don't be in a rush to get a formal process started or get a result. Like anything worth doing, a well run process takes time to prepare for and execute. We have done this many times before and know when to turn up the pressure with deadlines and timescales and when to be patient. Let us guide you through it.

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