

## 4 Steps to Prepare your Business for Sale

The successful sale of a business can be greatly enhanced by some pre-planning before the sales process commences. If you want to achieve the best price, and have an efficient sale process, then your business needs to be 'sale ready'.

### 1. Find your Team

First, speak with your network to identify the right team of professionals to advise on the transaction. This should include an experienced accountant, lawyer and business broker. Find advisors who understand your industry, and regularly work on these types of transactions. Like most professionals, advisors tend to specialise in certain areas. Go to their website. Ask lots of questions.

Your accountant and business broker should be able to assist you to establish the value of the business. They should also be able to help you to identify ways to improve, or re-structure the business, in order to maximise the sale price.

Discuss the sale structure to be adopted e.g. are you proposing to sell shares in your company? Or is the business to be sold by way of an asset sale? What are the different tax implications? Again, ask lots of questions. Find the structure that best suits your business and tax planning objectives.

### 2. Set your Strategy

The sale price of your business is going to be influenced by a variety of factors including the businesses' trading history, profitability, market position, key contracts, staff and other market trends. You need to try to sensibly and objectively assess the strengths and weaknesses of your business.

From a buyer's perspective, a business' value is also going to be influenced by a number of 'soft' factors. What is the growth story and 'vision' for the business? How does the business premises, staff, and marketing support that vision? Does the business have clearly developed systems and processes?

At least 12 months before you sell, you should be looking at ways to maximise profitability by focussing on operational efficiencies, cost reductions and other value enhancers. Look to remove non-business assets from the balance sheet, and focus on spending and expense control.

### 3. Get your Documents in Order

The due diligence is *the* critical threshold issue to address with a prospective buyer.

Without up-to-date financial records you are going to have difficulty establishing a value for the business. If there are delays or discrepancies in the documentation, this may put off a prospective buyer. For that reason, it's critical to get your financial statements and all corporate records up-to-date (profit and loss, balance sheet, tax returns, section 52 etc.).

You also need to review the terms of all major contracts. This might include the lease, supply and distribution agreements, equipment and machinery leases, management agreements, franchise agreements etc. You need to make sure that all terms are current and enforceable. Check for any transfer or change of control provisions in agreements. Make sure employment agreements and training / procedural manuals are up-to-date.

The lease is often one of the key legal documents that impacts the value of your business. In anticipation of a sale, ensure that any outstanding breaches have been remedied. Make sure the rent is up-to-date and is paid on time. When you come to assign the lease, you'll need your landlord's co-operation and consent. If you only have a short lease, then see if you can negotiate with your landlord to add an additional term or terms.

#### **4. Engage a Good Lawyer**

Finally, once you have secured a buyer, be sure to engage a good commercial lawyer who has expertise in sale of business transactions. He or she should be able to advise you on all aspects of the transaction including due diligence, the heads of agreement, legal compliance issues, structuring and the preparation and negotiation of all contract and transfer documents.

By putting in the work early, and getting a great team of advisors around you, you'll maximize your chances of getting the best price for your business, and reduce the risk of putting off prospective buyers. As with most things in life, good preparation is the key to ensuring the process runs smoothly and efficiently.

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