

# Thinking of selling your business?

## Are you 'sale ready'?

For businesses having gone through the roller coaster of emotions over the last 18 months, there is some light at the end of the tunnel.

Many organisations are coming out of the recovery phase on a stronger footing, with more streamlined operations. Recent statistics from Bank of England indicate positive liquidity, with net cash holdings across UK corporates as at the end of May 21 at £109bn (up £89bn from March 2020 at the start of the UK's first lockdown).

Locally in Northern Ireland, M&A activity at the end of H1 2021 was up by around 17% on the 83 deals announced during the same period the previous year. Overall, investor appetite is on the rise with premium assets attracting higher valuations; particularly in the technology and healthcare sectors.

Despite the economic shock of the Pandemic, analyses of past crises have shown that there is still potential for further value creation through M&A and for many business owners now might be the right time, both commercially and personally to start gearing up for sale.

Whilst the sale process and the various stages in bringing a business to market has its own nuances and complexities, it is arguably the 'commercial readiness' piece where the greatest value can be achieved, which is naturally the ultimate goal for any owner.

Below we have set out five key areas for a business owner to consider in advance of any sale.





### Early planning

In order to maximise the value of your business, early preparation is vitally important, taking a step back and looking at the business as a whole; its structures, processes and key drivers, ensuring that these are all optimised. A business sale strategy should not exist in isolation; rather it should be part of an overall plan to meet your short and long-term financial goals.



### Maximising earnings

A strong growth plan, which increases revenue from existing operations and looks at reducing unnecessary costs where possible will drive profitability growth, however owners need to be mindful that earnings will be considered on a maintainable basis and any one-off drivers or future estimates will be discounted when assessing value.



### Locking in the key management team

A review of employment contracts for key employees is important to consider in advance of sale discussions to ensure your best employees will work towards a successful sale. EMI share options schemes are tax efficient and can be effective in incentivising key employees and tying them in.



### Resolve any key commercial issues

Consider the business from a buyer's perspective: Can I rely upon the key sales contracts that are in place? Are assets all owned by the business, including intellectual property? Are the financial records ready for due diligence? Are all legal matters dealt with or progressed as much as possible?



### Tax considerations

It is important to understand the tax implications of a particular transaction and ensure that the legal structures for the business are put in place early to provide for the most efficient tax structure upon sale. In addition, a more streamlined organisation and a clean tax history will be a more attractive proposition to a purchaser, simplifying the transaction and avoiding any unnecessary issues when the business is sold.

Whilst this is just a short snapshot of some key considerations, there may be other business specific areas that need to be considered in advance that eliminate issues being identified at the last minute through the due diligence process; mitigating any price chip negotiations, or worse still a 'deal-breaker' scenario.

In many cases, business owners will only get one opportunity to sell their business and this can be an emotional process letting go of something that may represent a lifetime of effort and achievement, therefore it is critical that the right advice is received at as early a stage as possible in the process.

Experience shows that high quality professional advice from qualified financial and taxation specialists can provide peace of mind to a business owner, reduce the stress of complex negotiations and often lead to much higher net proceeds.

If you would like to discuss any of these matters further, or obtain a free indicative valuation of your business, please contact either Richard or David per the details below.

## Key contacts



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